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Treasure State Endowment Program Legislative Report For The 2001 Biennium

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**TREASURE STATE ENDOWMENT
PROGRAM**

**Legislative Report
For the 2001 Biennium**

**Policy Issues, Project Evaluations and
Recommendations**

**Montana Department of Commerce
Peter S. Blouke, Ph.D., Director**

December, 1998

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PART 1

TSEP PROGRAM SUMMARY

1. The Treasure State Endowment Program (TSEP) is a state-funded public facilities program established by the legislature and approved by Montana voters in 1992, designed to assist communities in financing drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges.
2. Eligible applicants for the TSEP include cities, towns, counties as well as county or multi-county water, sewer, or solid waste districts.
3. Eligible applicants may submit one application for up to \$500,000 in TSEP grant or annual debt subsidy funds for construction projects. Eligible applicants may also apply for construction loans or for loans for the preparation of preliminary engineering plans.
4. For the 1999 biennium, 40 projects requesting \$17.08 million in TSEP funds were submitted to the program and resulted in the legislature approving 22 projects totaling \$9.11 million in TSEP funds. For the 2001 biennium, 41 projects have been submitted requesting \$15.852 million in TSEP funds.
5. Based on revenue projections from the revenue oversight committee, TSEP will have approximately \$8.8 million in endowment interest available for TSEP grant awards for the 2001 biennium. This is a net figure, after deducting administrative and operational costs.
6. The department's research findings indicate that the principal reason why so many local public facilities are deficient is that most options for correcting deficiencies are simply not considered affordable by local residents. This is especially true for most of Montana's communities because these facilities are very expensive to construct, the cost is usually divided among a relatively small number of households and the community may also need to upgrade other facilities at the same time. The TSEP program has been designed to help address that "affordability" problem.
7. During the original legislative discussion of TSEP, legislators stated that applicants should make the maximum effort to pay for local public facility projects with their own resources before they ask the state to subsidize a local project. There was also a strong consensus among the local officials and legislators that participated in the public hearings on TSEP that communities should participate in the funding of any public facility project in proportion to their financial resources. The challenge is to try to define a reasonable "maximum local effort." In particular, the state had to find a way to estimate whether an individual TSEP applicant needed a TSEP grant, a loan, or a grant/loan combination to make the applicant's project affordable and feasible, yet ensuring "maximum local financial effort" on behalf of the applicant.

In order to objectively analyze applications for funding, TSEP has attempted to estimate what is reasonable level of affordability and has recommended "target rates" which applicants are expected to reach before grant funds are generally recommended for the project. Target rates are based on a percentage of a community's median household income, making target rates unique financial measures for each of Montana's communities and allowing TSEP staff to objectively compare the relative financial capacity of each applicant. TSEP staff recommend loans when grant funds have been recommended for reduction or not recommended at all, if the project is financially feasible and affordable.

8. Over 90% of the TSEP applications have requested matching grants in the first three funding cycles. Grants have been the preferred type of TSEP funding by local governments for various reasons. The most important reason is the affordability issue discussed above which indicates that grants are needed to make most local projects financially feasible and affordable. An article in the Montana Policy Review by Kenneth L. Weaver of Montana State University titled "The Treasure State Endowment Program: A Question of Incentives," reported that low-interest loans may not provide sufficient incentive to communities to take on an expensive infrastructure project that will create user fees that will not be affordable to the users of the system. In summary, the article discusses how most of Montana's communities need significant grants to write down the total cost of projects and that some jurisdictions cannot service the long-term debt of a loan at any rate of interest. Secondly, if a loan is appropriate, there are numerous other low interest loans for water and wastewater projects already available through other state and federal funding programs. Finally, grant funds are extremely limited.
9. In the past three funding cycles, the policy recommended by the department and the Governor and established by the legislature was that grant funds should only be approved for projects where the applicant is unable to borrow funds or obtain grants or other financing from other sources at reasonably affordable rates. In other words, the TSEP is a "gap financing" program. The department and the Governor recommend the continuance of this policy to the 1999 Legislature.
10. TSEP funding applications are ranked by DOC. The Governor reviews the department's recommendations and submits his recommendations to the legislature. The legislature makes the final decisions on funding awards. Review and ranking of applications is a two stage process. First, DOC is required by statute to review and rank TSEP project proposals and prepare a list of recommended projects, based on ten statutory priorities. Secondly, DOC is also required by statute to recommend the form of financial assistance for each project.

PART 2

ACCOMPLISHMENTS OF THE TSEP PROGRAM

IMPROVEMENTS TO TSEP SINCE THE 1997 LEGISLATURE

Uniform Application Supplement - The department's TSEP and CDBG programs, working closely with DNRC's RRGL program, DEQ's State Revolving Loan Fund (SRF) programs, the Board of Investment's (BOI) INTERCAP program, and USDA's RD program, have developed common application materials to make it easier for local government applicants to apply for funds from any or all of the programs. Application materials common to all of these programs include: an application form, preliminary engineering analysis format, and an environmental assessment form. All of the common application materials have been incorporated into a single publication which is used by all of these funding programs. This has resulted in a significant savings for applicants. Joint application workshops were also conducted by the participating programs. The engineering reviews of applications were also coordinated with other funding programs, wherever possible.

Improved Financial Analysis for Bridge Projects - The department undertook a major effort to develop a new financial analysis methodology for bridge projects. TSEP staff worked extensively with Janet Cornish of Community Development Services of Montana to develop the new financial analysis methodology for bridge projects. The Montana Association of Counties also provided important assistance in this effort. The department worked extensively with TSEP applicants before they submitted applications so that they would have a better understanding of this new financial analysis process. This enabled applicants to design more "fundable" financial packages.

For many years, "target rate" analysis and "financial gap" analysis have been used for financial analysis of water and sewer applications. However, for bridge applications, the target rate concept is not feasible. Thus, new policies and methods for financial analysis of bridge applications had to be developed. In 1995, the department developed a methodology based on ten financial questions to evaluate whether a TSEP grant, loan, or other funds are necessary to make a county's proposed bridge project feasible and affordable. When used to analyze the 1996 applications, the ten questions utilized did not appear to accomplish the desired results. Therefore, in 1997 the department undertook a major effort to develop a new financial analysis methodology for bridge projects that would provide a more comprehensive means to measure an applicant's financial capacity to fund its bridge project.

The financial characteristics of proposed water and sewer projects submitted by municipalities and county water/sewer districts are significantly different from the financial characteristics of proposed bridge projects submitted by counties. For water and sewer projects, the municipality or water/sewer district often adopts user fee increases to provide matching funds for TSEP grants. If loans or bonds are used, they are retired with user fee increases. User fee increases and bonds are exempt from Initiative 105. In contrast, the financing of county bridges is based primarily on county tax revenues, which are frozen under Initiative 105. Under this legal framework, it is easier for a municipality to raise user fees to provide matching funds for a TSEP water or sewer application than for a county to raise taxes to provide matching funds for a TSEP bridge application. For a county to raise additional tax revenues for a bridge project requires either a vote of the people to override Initiative 105, or for the county to use funds from other county mill levy accounts, which also are frozen under Initiative 105. The financial analysis for bridge applications takes into account these structural differences and the unique situation for financing county bridges.

The financial analysis for bridge applicants is primarily based on two indicators. The first indicator measures the residential property tax burden as a percentage of the county's median household income.

The purpose of this indicator is to measure the property tax burden on residential taxpayers relative to other counties, and more specifically, the residential property tax burden related to taxes being levied for bridges. The second indicator measures the effects of changes in the applicant's ability to levy taxes. This is accomplished by evaluating changes in mill value, number of bridge mills levied, and the actual bridge levy. In addition to the two indicators, additional information from applicants is also evaluated in order to provide a more complete picture of what a county is doing to fund its bridge system.

Technical Assistance to Counties for Bridge Planning and Financing - The department prepared a new manual to assist counties with preparing capital improvement plans to repair, replace, and finance roads and bridges. This technical assistance will improve the ability of county governments to prepare applications for TSEP bridge projects which meet the minimum requirements for financial feasibility and demonstrate financial need. The department also sponsored a one day workshop on the planning and financing of county bridges projects. This workshop was conducted simultaneously at seven locations throughout the state using the METNET interactive video system.

Improved Funding Structure for Approved Projects - Because of the mechanics of the treasure state endowment trust fund, TSEP revenues are deposited slowly on a monthly basis as interest is earned on the trust fund. As such, they are not sufficient to fully meet the total local government demand for funds until the end of the biennium. HB11 which authorized funding for the 1997 TSEP projects (1999 biennium), provides that grant funds are disbursed to local governments in the order that they were ranked, as long as the local government has met all start-up conditions. In addition, the TSEP program has taken a conservative approach to disbursing grant funds and has waited until there is sufficient interest earnings in the earnings trust fund to fully fund one project at a time as funds become available. As a result of the financial mechanics governing the availability of TSEP funds, a serious problem has been created for local governments that are ready to proceed, but are not able to access the TSEP funds to get their projects underway.

In the department's experience, a significant number of the approved projects are not ready to move forward to construction the first year, since local governments should generally not be incurring project expenses before the project is approved by the legislature. In addition, the local governments may still need to obtain all of their matching funds. In the first year of the biennium, most projects have only engineering design expenses which are a relatively small amount of the total project expenses. Therefore, typically, TSEP funds are not always required immediately, and when they are, it is generally for relatively smaller expenditures.

Since the inception of the program, there has always been accumulated earnings in the trust fund which could be used to reimburse local governments for project expenses as they occur. This cash flow "float" is the result of funds deposited in the special revenue fund that have been committed to approved projects, but that have not yet been requested by local governments to reimburse actual expenses. The department believes that the cash flow "float" will be sufficient to fund most requests for TSEP funds that are likely to be submitted by local governments. As each biennium progresses, additional interest on the treasure state endowment trust fund is earned and deposited in the earnings trust fund and helps to replenish the funds used. However, when accumulated interest earnings in the earnings trust fund fall short of the demand for TSEP funds, the program needs an alternative funding source to reimburse eligible project expenses submitted by local governments. In an agreement with the Department of Administration, the DOC has arranged to borrow the funds from the state general fund as needed. If the department needs to borrow funds from the general fund, the funds will be repaid as soon as sufficient funds are available in the earnings trust fund.

Changes and additions to the TSEP Application Guidelines - The department proposed and adopted several changes and additions in the 1998-1999 TSEP Application Guidelines. In particular are the following two additions:

1. In the previous application guidelines the criteria for receiving a hardship grant or exceeding the \$5,000 per household was not clearly defined. With a hardship grants, applicants are not required to provide at least a 50% match (e.g., applicants may be eligible to receive a grant from 51% up to 75% of the eligible project expenses). To receive a hardship grant or to exceed the limitation of \$5,000 in grant funds per household, the applicant must meet three criteria:
 - a. a serious deficiency exists in a community facility or service, or the community lacks the facility or service entirely; and adverse consequences clearly attributable to the deficiency have occurred, or are likely to occur; and
 - b. as a result of the water or wastewater project, user rates would be in excess of 200% of the "target rate" (based upon the projected monthly rates with TSEP assistance), or in the case of bridge projects, the county's mill value has decreased by 50% or more since 1986 when Initiative 105 came into effect; and
 - c. other sources of funding are not reasonably available.

Note that the department received two applications that proposed less than the 50% match, however, neither applicant met the criteria for a hardship grant.

2. Applicants that are funded by TSEP, and that do not have a Capital Improvements Plan (CIP), will be required as part of the project to develop and adopt a CIP that covers at least a five year period. An adopted CIP is not a prerequisite for applying for TSEP funding. The requirement to complete a CIP was added to encourage more effective long-term planning for the construction, maintenance, and repairs of local public facility projects. Effective planning for the financing of the construction, maintenance, and repair of public infrastructure is extremely important in light of the limited financial resources which are available for assistance. A CIP helps communities identify their public facility needs, establish project priorities, and create a program for the scheduling and funding of construction or repair projects.

Changes and additions to the TSEP Administration Manual - The department proposed several changes and additions in the April, 1997 TSEP Administration Manual. In particular are the following two additions:

1. TSEP grant recipients are expected to complete their start-up conditions as soon as possible, and typically, should be able to complete their projects within 24 months of a "Notice to Proceed". As a result, if a grant recipient has not completed the "Project Start Up Conditions" within 18 months of the beginning of the biennium in which the grant funds are authorized, the department will refer the project back to the legislature for its consideration of whether to continue funding the project. Furthermore, if a grant recipient fails to commence or complete its project in a timely manner, the department may, at its discretion, withhold any unexpended TSEP funds and recommend to the legislature that these funds be re-allocated to other TSEP projects.
2. The department cannot approve amendments to the scope of work or budget affecting priority activities or improvements that would materially alter the intent and circumstances under which the application was originally ranked by the department and approved by the Governor and legislature. Local governments that request a modification that would significantly affect the approved scope of work or budget may have their TSEP funding temporarily suspended. The suspension would remain in effect until the next session of the legislature when the proposed change would be presented for legislative approval.

STATUS OF CURRENT PROJECTS

A summary of projects approved by the previous legislatures is presented in Appendix B. Each project summary includes an up to date picture of project costs, sources of funding, current status, and accomplishments.

PART 3

KEY POLICY ISSUES FOR THE 1999 LEGISLATURE

PROPOSED REVISIONS TO THE TSEP STATUTE

The department has proposed legislation that would revise the statutory priorities used to rank and evaluate TSEP applications by consolidating and reordering several of the existing priorities and by establishing an alternate priority. These revisions would simplify the application process for communities by consolidating closely related statutory priorities, emphasize the importance of financial need in awarding TSEP funds, and reward local governments for effectively planning and managing their public facilities.

EFFECTS OF CI-75 ON TSEP'S FIRM COMMITMENT OF MATCHING FUNDS POLICY

Most of the projects funded with TSEP funds require multiple funding sources to finance the project. Some funding programs want their funds to be used last, other sources do not become available until actual construction, and in the case of at least one current project, it may take several years before all of the approved funds are appropriated by Congress. Waiting until all funds are actually available for reimbursing project expenses typically leads to lengthy delays and increases the cost of the project. In addition, funds for final engineering and other preliminary construction activities are frequently needed early in the project to determine the total amount of the project costs and the amount to be borrowed. This is even more important under CI-75, because final engineering needs to be completed in order to determine the total amount of the project costs, and the amount of the bond or loan that needs to be approved by the electors.

In order to ensure that projects are able to proceed in a timely manner, the program modified its definition of firm commitment of matching funds. The program has adopted a two stage process for releasing TSEP funds that allows TSEP grant recipients to access TSEP funds for eligible expenses leading up to construction (such as project administration, land acquisition, and final engineering), before all funding sources are able to make their funds available for reimbursing project expenses. TSEP grant recipients that want to access TSEP funds before having a firm commitment of all matching funds, and meet specific conditions, must agree to return any TSEP funds advanced if the other matching funds are not obtained within a reasonable time period and the project is not able to be completed.

It is possible that TSEP grant recipients utilizing this option to access TSEP funds before having a firm commitment of all matching funds, would be required to return TSEP funds if the project is not able to proceed. However, the local government may not have the financial ability to return funds advanced. The program has established specific conditions that help to ensure that this would not occur. Prior to CI-75, cities and towns could approve the sale of revenue bonds and increase user rates by a vote of the governing body. Local governments were required to provide TSEP with a resolution of intent to take on the debt and increase user rates as necessary, and as a result, the program could assume with a significant degree of assurance that it would occur. However, the possibility does exist that the TSEP funds advanced could not be recovered. With CI-75, the risk that a project would not be able to proceed has increased, since voters may not approve increasing user rates which would be required in order to assume debt. As a result, the potential for not recovering TSEP funds advanced would also increase.

Even though there has been some risk associated with the two stage process for releasing TSEP funds, the program determined that it was acceptable since TSEP funds provided early in the project helped these local public facilities projects proceed in a timely manner and kept costs from increasing unnecessarily. However, with the greater risk associated with CI-75, the program is concerned about

whether this procedure should be continued. It needs to be understood that TSEP funds could be advanced in good faith to a local government, but if voters reject a bond or loan under CI-75, the project may not be constructed, and the TSEP funds never recovered.

STATUS OF CURRENT PROJECTS

As previously discussed, the department has stated that previously approved projects may be referred back to the legislature for its consideration of whether to continue funding the project if:

- 1. the project has not commenced or completed its project in a timely manner, or
- 2. the local government requests a modification that significantly affects the scope of work or budget that would materially alter the intent and circumstances under which the application was originally ranked by the department and approved by the Governor and legislature.

As a result, note the following projects that have not commenced or been completed in a timely manner or that have requested a modification that would significantly affect the approved scope of work or budget:

Hill County Water District

Project Type	Water System Improvements	
TSEP Grant	\$ 500,000	
Other Funds	\$ 250,000	Hill County Water District
	<u>\$ 400,000</u>	RRGL Loan
Total Project	\$1,150,000	

Project Summary: Project approved by 1995 legislature. The District provides water service to 717 households located within an area stretching from just west of Havre to Joplin. Due to EPA rules, the District must treat all water drawn from its Fresno surface water supply. The DEQ had originally given the District until the Fall of 1995, to comply with this requirement. Major elements of the project as proposed included: property acquisition, construction of a water treatment facility, and construction of new water lines.

Project Status: The District is proposing to modify the approved project by connecting into a proposed regional water system referred to as the North Central Montana Regional Water System. The proposed alternative project would eliminate the construction of a water treatment facility at Fresno Reservoir and would instead construct new water lines and the infrastructure necessary to connect into the proposed North Central Montana Regional Water System.

Recommendation: Approve the proposed modifications.

East Missoula Sewer District

Project Name	Wastewater System Improvements	
TSEP Grant	\$ 500,000	
OTHER FUNDS	\$ 100,000	RRGL Grant
	\$ 408,000	CDBG Grants
	\$ 23,925	EPA Grant
	\$ 100,000	Missoula Water Quality District
	\$3,110,562	SRF Loan
	<u>\$ 28,075</u>	Applicant's Funds
TOTAL PROJECT	\$4,270,562	

Project Summary: Project approved by 1997 legislature. A high density of outdated individual cesspools and drainage pits are contaminating local drinking water wells resulting in health advisories and a

permanent boil order issued by DEQ. The existing on-site wastewater systems have the potential to adversely impact the Missoula Valley Aquifer and the Clark Fork River. Major elements of the project as proposed included: construction of a wastewater treatment system with a gravity collection service, and land disposal using spray irrigation.

Project Status: The District has not completed start-up conditions and is proposing to modify the project by connecting to the City of Missoula's wastewater system. As the engineering for the proposed project progressed, the District learned that the land that was to be used for the land application of treated wastewater was no longer available. The proposed alternative project would eliminate the construction of a wastewater treatment facility and would instead construct collection lines and a transmission main that would connect to the City of Missoula's wastewater system.

Recommendation: Allow the District the additional time (until the next legislative session) needed to meet the start-up conditions, and approve the proposed modifications to the scope of work.

PART 4

FUNDS AVAILABLE FOR 1999 LEGISLATURE TSEP CASH FLOW

For the 2001 biennium, there were 41 TSEP applications submitted by local governments to the department requesting \$15,852,526 in TSEP funds. Based on revenue projections adopted by the revenue oversight committee on November 13, 1998, it has been projected that TSEP will have \$8,857,011 (after subtracting administrative and operational costs) for matching grants during the 1999 biennium. This figure is subject to change as a result of the actual administrative and operational costs incurred by the program and as updated projections on coal tax revenues and interest rates are received in the future.

Under 17-5-703, MCA, there is a separate subfund called the treasure state endowment fund (the "fund"), established within the permanent coal trust (the "trust") to generate ongoing funding for TSEP projects. As a subfund of the trust, the fund principal is afforded the same constitutional protection as the principal in the trust. The Montana Constitution states "The principal of the trust shall forever remain inviolate unless appropriated by a vote of three-fourths of the members of each house of the legislature." The chart in Appendix D illustrates the relationship of the coal severance tax trust and the TSEP fund.

Under the provisions of the TSEP statute, on July 1, 1993, \$10.0 million was transferred from the trust to the fund. In addition to the amount transferred from the trust, the fund will receive 50% of the coal severance taxes constitutionally earmarked for the trust during a 20 year period. It is estimated that by fiscal year 2014, principal in the fund will reach over \$191 million. Revenues for TSEP grants are generated by interest earnings on the principal of the fund. Only the interest earnings on the fund may be spent for TSEP grants and program administration.

TSEP loans are funded from proceeds of coal severance tax bonds rather than interest earnings on the principal of the fund. The coal severance tax bonds would be sold by the state and are repaid by the loan payments made by local government loan recipients. However, no loans are being recommended for TSEP projects for the 2001 biennium.

The chart on the next page illustrates the projected cash flow mechanics of the TSEP program from FY 1994 to FY 2014. The figures are only rough estimates because of the difficulty of projecting interest rates, coal production, and TSEP Program operating costs so far into the future.

COAL TAX REVENUE DEPOSITS FOR LOCAL INFRASTRUCTURE ASSISTANCE					
TREASURE STATE ENDOWMENT PROGRAM (TSEP)					
Operating Year	Annual Deposits to Perm. Fund Principal	Annual Deposits to TSEP Fund Principal	Cumulative TSEP Principal	Annual Interest Available for Distribution	Cumulative Interest Earnings
	(\$10,000,000)	\$10,000,000			
1 FY '94	\$9,809,476	\$9,809,476	\$19,809,476	\$928,696	\$928,696
2 FY '95	\$9,910,610	\$9,910,610	\$29,720,086	\$1,810,151	\$2,738,847
3 FY '96	\$8,787,910	\$8,787,910	\$38,507,996	\$2,916,499	\$5,655,346
4 FY '97	\$9,151,139	\$9,151,139	\$47,659,135	\$3,453,907	\$9,109,253
5 FY '98	\$8,720,156	\$8,720,156	\$56,379,291	\$4,250,377	\$13,359,630
6 FY '99	\$9,000,000	\$9,000,000	\$65,379,291	\$4,650,322	\$18,009,952
7 FY '00	\$9,000,000	\$9,000,000	\$74,379,291	\$5,325,322	\$23,335,274
8 FY '01	\$9,000,000	\$9,000,000	\$83,379,291	\$6,000,322	\$29,335,595
9 FY '02	\$9,000,000	\$9,000,000	\$92,379,291	\$6,675,322	\$36,010,917
10 FY '03	\$9,000,000	\$9,000,000	\$101,379,291	\$7,337,204	\$43,348,121
11 FY '04	\$9,000,000	\$9,000,000	\$110,379,291	\$7,991,216	\$51,339,337
12 FY '05	\$9,000,000	\$9,000,000	\$119,379,291	\$8,645,227	\$59,984,564
13 FY '06	\$9,000,000	\$9,000,000	\$128,379,291	\$9,299,239	\$69,283,804
14 FY '07	\$9,000,000	\$9,000,000	\$137,379,291	\$9,953,251	\$79,237,054
15 FY '08	\$9,000,000	\$9,000,000	\$146,379,291	\$10,607,262	\$89,844,317
16 FY '09	\$9,000,000	\$9,000,000	\$155,379,291	\$11,261,274	\$101,105,591
17 FY '10	\$9,000,000	\$9,000,000	\$164,379,291	\$11,915,286	\$113,020,877
18 FY '11	\$9,000,000	\$9,000,000	\$173,379,291	\$12,569,297	\$125,590,174
19 FY '12	\$9,000,000	\$9,000,000	\$182,379,291	\$13,223,309	\$138,813,483
20 FY '13	\$9,000,000	\$9,000,000	\$191,379,291	\$13,877,321	\$152,690,804
21 FY '14	\$18,000,000	\$0	\$191,379,291	\$13,877,321	\$166,568,125
Interest projected at 7.5% earning rate.					
Prepared by Melanie Strandberg Dept. of Commerce/Mgmt. Services Div. Updated 12-3-98					

PART 5

1999 TSEP APPLICATIONS EVALUATION, RANKING, AND RECOMMENDATION PROCESS

PROCESS DOC USES TO RECOMMEND PROJECTS FOR FUNDING

The process that the department uses to make its funding recommendations is based on the following principles:

1. In compliance with the intent of the statute, the applicants' scores on the ten statutory priorities provide the overall rank order of applicants;
2. The statute also requires the department and the Governor to recommend the form of the TSEP financing. Applicants which could reasonably borrow funds and have relatively affordable utility rates are not recommended for grant awards, but may be recommended for loan funds; and
3. Projects which appear to have major financial or technical feasibility problems are not recommended for funding at this time.

STAGE ONE OF THE PROCESS, RANKING OF TEN STATUTORY PRIORITIES (90-6-710 (2) MCA)

Based on state statute, and under the precedents established in the last three funding cycles by the department, the Governor, and the legislature, the TSEP application ranking procedure is a two-stage process. In the first stage, the applications are ranked according to the ten statutory priorities. The 1998 Applications: Ranking Scores for Ten Statutory Priorities Chart summarizes the department's ranking results. Details on how each application was ranked are found in the individual project descriptions.

The TSEP applications were analyzed by the department's staff, consulting engineers, a financial consultant, and staff from DEQ and MDT. In addition, the department contracted with four engineering firms to review and analyze each of the preliminary engineering plans submitted with the applications. Upon finishing their review, all of the engineers met as a team, along with the department's TSEP ranking team, to come to a consensus on how to rank the first three statutory criteria for each application. A consensus approach was used by the ranking team to assure consistency and fairness in applying the ranking and review criteria. The department also coordinated its review of applications with DNRC's RRGL program and the department's CDBG Program. The ten statutory priorities consider the extent to which the proposed projects:

1. Solve urgent and serious public health or safety problems;
2. Enable local governments to meet state or federal health or safety standards;
3. Incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;
4. Result in a benefit to the public commensurate with the amount of financial assistance requested. However, the benefit to the public may not be measured by population alone;
5. Reflect greater need for financial assistance than other projects;
6. Enable local governments to obtain funds from sources other than TSEP,

7. Provide long-term, full-time job opportunities for Montanans;
8. Provide public facilities necessary for the expansion of a business that has a high potential for financial success;
9. Maintain or do not discourage expansion of the tax base; and
10. Are high local priorities and have strong community support.

In order to score each project on Statutory Priority #5 (Financial Need), DOC analyzes each applicants relative financial need compared to other applicants. This financial assessment uses two indicators:

Indicator 1. Economic Condition of Households Analysis - This indicator provides a comparative measure of ability to pay for infrastructure and public services. It consists of ranking each applicant in relation to the community's "Median Household Income" (MHI), the percent of persons in the jurisdiction at or below the level designated as "Low to Moderate Income" (LMI), and the percent of persons at or below the level designated as "Poverty". MHI is calculated by the U.S. Bureau of the Census as the amount of household income above and below which the household incomes in a jurisdiction are equally distributed. In other words, there are as many households with incomes above MHI as there are below MHI. These three statistics - MHI, LMI and Poverty - provide a means of identifying concentrations of population which have relatively less ability to pay for public services.

Indicator 2. Financial Analysis - The analysis for the second indicator is different depending on the type of project.

Water, Wastewater, or Solid Waste Projects

For water, wastewater, or solid waste projects, the analysis is based on "Target Rate Analysis." It is used by DOC to help determine the amount of grant funds a community needs to assure that combined monthly water and wastewater user rates will be reasonably affordable for its citizens. Target rate analysis compares the applicant's projected user rates to predetermined benchmarks or "targets." Target user rates are based on a percentage of Median Household Income (MHI) of the community. The idea of "target rates" is based on the concept that the ability of a family (or individual) to pay a particular water, wastewater, or solid waste user rate is related to the median income level in a community and that communities with higher median incomes can afford higher rates than those with lower median incomes. This approach has been used by the U.S. Department of Agriculture's (USDA) Rural Development (RD) program (formerly known as Farmers Home Administration) and the department's CDBG program for many years.

Target user rates were determined by surveying the average, monthly water and wastewater rates currently paid by Montana communities which had recently improved their water or sewer systems and the percentage of their combined rates as a ratio of their MHI. TSEP utilized combined rates for water and wastewater systems whenever communities had both systems to ensure that analysis of low rates for an applicant's wastewater system did not ignore high rates that are charged for the water system (or vice versa), thereby understating an applicant's need for financial assistance. For communities with a water or wastewater system, but not the other, only the target rate for the single system was used.

In the target rate analysis for water and wastewater projects, a community's target rate was computed by multiplying the community's MHI by the combined target percentage of 2.2% (1.4% for water systems and .8% for wastewater systems). For communities with only one system, only the target percentage for that system was used to compute the target rate.

Target rate analysis was also used for the single solid waste TSEP application submitted. The average monthly rate for residential users was used to evaluate the system in comparison with other Montana

communities and counties operating similar solid waste systems. A target percentage of .4% of MHI was used in the analysis based on DOC's analysis of other solid waste systems throughout the state.

Bridge Projects

The financial analysis of the bridge project applications submitted, which are funded through general taxes, were analyzed in a different manner from the water, wastewater, and solid waste projects which are enterprise systems and financed through user fees. Instead, the analysis for the bridge projects looked at the current and projected efforts by applicants to finance their bridge systems and their ability to fund their projects without TSEP assistance. The financial analysis for bridge applicants is primarily based on two indicators, along some additional information from the county, to provide a more complete picture of what it is doing to fund its bridge system.

The first indicator measures the residential property tax burden as a percentage of the county's MHI. This is accomplished by evaluating the residential portion of both the property tax levy for bridges and total mill levy, as a percentage of MHI. The purpose of this indicator is to measure the property tax burden on residential taxpayers relative to other counties, and more specifically, the residential property tax burden related to taxes being levied for bridges. By looking at what counties were levying for bridges in 1996, DOC has determined that the median county property tax levy for bridges statewide is approximately equal to .04% of a county's MHI. The median is computed using only those counties that use some local property tax revenues to fund their bridge systems. For counties with an all purpose levy, the analysis used that portion of the levy that is used for its bridge system. In order for a county to be competitive in the financial analysis, it should be currently levying for bridges, and/or have committed to levying for bridges in the next budget year, an amount equal to or greater than .04% of a county's MHI. The state median in 1996 for the total residential property tax burden is 2.89% of a county's MHI. Counties that are levying an amount equal to or greater than the state median were also more competitive in the financial analysis.

The second indicator measures the effects of changes in the applicant's ability to levy taxes. This is accomplished by evaluating changes in mill value, number of bridge mills levied, and the actual bridge levy. In general, in order for a county to be competitive in the financial analysis, it should be levying for bridges, or have committed to it for the next year, an amount equal to or greater than what was being levied in 1986 (the year that the taxation restrictions imposed by Initiative 105 took effect). However, if a county is levying less than it was in 1986, DOC took into account decreases in the county's mill value and whether the number of bridge mills were increased in an attempt to maintain the bridge levy at a level similar to 1986.

Final Competitive Ranking Score on Statutory Priority #5 - The results from Indicators 1 and 2 were added together on a weighted basis to determine an applicant's final score for the "Financial Need" priority.

1998 TSEP RANKING SCORES FOR THE TEN STATUTORY PRIORITIES CHART

APPLICANT	Statutory Priority #1: Solves Urgent Health/Safety Problems	Statutory Priority #2: Meets Health/Safety Standards	Statutory Priority #3: Provides Cost Effective Technical Design	Statutory Priority #4: Benefits to Public Compared to Financial Assistance Requested	Statutory Priority #5: Reflects Greater Financial Need	Statutory Priority #6: Obtains Funds From Other Sources	Statutory Priority #7: Provides Long- Term, Full- Time Jobs for Montanans	Statutory Priority #8: Allows Expansion of Business	Statutory Priority #9: Maintains Tax Base	Statutory Priority #10: Has Strong Community Support	R a n k i n g	Total Points Possible 5,500
	Levels: 5=1000 4 = 800 3 = 600 2 = 400 1 = 200	Levels: 5 = 900 4 = 720 3 = 540 2 = 360 1 = 180	Levels: 5 = 800 4 = 640 3 = 480 2 = 320 1 = 160	Levels: 5 = 700 4 = 560 3 = 420 2 = 280 1 = 140		Levels: 5 = 500 4 = 400 3 = 300 2 = 200 1 = 100	Levels: 5 = 400 4 = 320 3 = 240 2 = 160 1 = 80	Levels: 5 = 300 4 = 240 3 = 180 2 = 120 1 = 60	Levels: 5 = 200 4 = 160 3 = 120 2 = 80 1 = 40	Levels: 5 = 100 4 = 80 3 = 60 2 = 40 1 = 20		
Harrison (WW)	5 = 1,000	5 = 900	5 = 800	5 = 700	516	5 = 500	3 = 240	3 = 180	3 = 120	5 = 100	1	5,056
Arlee (WW)	5 = 1,000	5 = 900	3 = 480	5 = 700	559	5 = 500	3 = 240	3 = 180	4 = 160	5 = 100	2	4,819
Highwood (W)	5 = 1,000	5 = 900	4 = 640	5 = 700	378	5 = 500	3 = 240	3 = 180	3 = 120	4 = 80	3	4,738
Missoula (WW)	4 = 800	5 = 900	5 = 800	5 = 700	543	5 = 500	2 = 160	2 = 120	3 = 120	4 = 80	4	4,723
Thompson Falls (W)	5 = 1,000	5 = 900	4 = 640	5 = 700	443	4 = 400	2 = 160	2 = 120	3 = 120	3 = 60	5	4,543
Philipsburg (W)	5 = 1,000	5 = 900	4 = 640	4 = 560	429	4 = 400	2 = 160	2 = 120	3 = 120	5 = 100	6	4,429
Ekalaka (WW)	5 = 1,000	5 = 900	5 = 800	3 = 420	490	2 = 200	2 = 160	2 = 120	3 = 120	2 = 40	7	4,250
Rae (WW)	5 = 1,000	4 = 720	4 = 640	4 = 560	315	4 = 400	3 = 240	3 = 180	3 = 120	3 = 60	8	4,235
Big Timber (WW)	4 = 800	4 = 720	3 = 480	4 = 560	454	4 = 400	4 = 320	4 = 240	4 = 160	4 = 80	9	4,214
Glasgow (WW/SD)	5 = 1,000	5 = 900	4 = 640	4 = 560	298	3 = 300	2 = 160	2 = 120	3 = 120	5 = 100	10	4,198
Corvallis (WW)	4 = 800	4 = 720	3 = 480	4 = 560	573	5 = 500	2 = 160	3 = 180	3 = 120	2 = 40	11	4,133
Boulder (W)	5 = 1,000	5 = 900	4 = 640	3 = 420	229	2 = 200	3 = 240	3 = 180	3 = 120	5 = 100	12	4,029
Denton (WW)	4 = 800	4 = 720	4 = 640	4 = 560	365	3 = 300	3 = 240	3 = 180	3 = 120	5 = 100	13	4,025
Cut Bank (W)	4 = 800	4 = 720	4 = 640	4 = 560	419	4 = 400	2 = 160	2 = 120	3 = 120	4 = 80	14	4,019
Richland (B)	3 = 600	4 = 720	4 = 640	4 = 560	495	5 = 500	2 = 160	2 = 120	3 = 120	5 = 100	15	4,015
Geraldine (WW)	4 = 800	4 = 720	5 = 800	4 = 560	300	3 = 300	2 = 160	2 = 120	3 = 120	5 = 100	16	3,980
Augusta (WW)	4 = 800	3 = 540	4 = 640	4 = 560	503	4 = 400	2 = 160	2 = 120	3 = 120	4 = 80	17	3,923
Havre (W)	4 = 800	4 = 720	3 = 480	4 = 560	266	4 = 400	3 = 240	3 = 180	3 = 120	3 = 60	18	3,826
Sweetgrass (WW)	2 = 400	3 = 540	5 = 800	3 = 420	528	5 = 500	3 = 240	3 = 180	3 = 120	4 = 80	19	3,808
Lewis & Clark (B)	3 = 600	3 = 540	4 = 640	4 = 560	403	5 = 500	2 = 160	2 = 120	3 = 120	5 = 100	20	3,743
Drummond (WW)	3 = 600	3 = 540	4 = 640	3 = 420	575	5 = 500	2 = 160	2 = 120	3 = 120	3 = 60	21	3,735
South Hills (W)	5 = 1,000	4 = 720	2 = 320	3 = 420	500	4 = 400	1 = 80	1 = 60	2 = 80	4 = 80	22	3,660

KEY: B = BRIDGE

SD = STORM DRAIN

SW = SOLID WASTE

W = WATER

WW = WASTEWATER

WW/SD = WASTEWATER/STORM DRAIN SEPARATION

SCORING LEVEL KEY:

5 = MOST CONSISTENT WITH STATUTORY PRIORITY

1 = LEAST CONSISTENT WITH STATUTORY PRIORITY

1998 TSEP RANKING SCORES FOR THE TEN STATUTORY PRIORITIES CHART

APPLICANT	Statutory Priority #1: Solves Urgent Health/Safety Problems	Statutory Priority #2: Meets Health/Safety Standards	Statutory Priority #3: Provides Cost Effective Technical Design	Statutory Priority #4: Benefits to Public Compared to Financial Assistance Requested	Statutory Priority #5: Reflects Greater Financial Need	Statutory Priority #6: Obtains Funds From Other Sources	Statutory Priority #7: Provides Long- Term, Full- Time Jobs for Montanans	Statutory Priority #8: Allows Expansion of Business	Statutory Priority #9: Maintains Tax Base	Statutory Priority #10: Has Strong Community Support	R a n k i n g	Total Points Possible 5,500
	Levels: 5=1000 4 = 800 3 = 600 2 = 400 1 = 200	Levels: 5 = 900 4 = 720 3 = 540 2 = 360 1 = 180	Levels: 5 = 800 4 = 640 3 = 480 2 = 320 1 = 160	Levels: 5 = 700 4 = 560 3 = 420 2 = 280 1 = 140		Levels: 5 = 500 4 = 400 3 = 300 2 = 200 1 = 100	Levels: 5 = 400 4 = 320 3 = 240 2 = 160 1 = 80	Levels: 5 = 300 4 = 240 3 = 180 2 = 120 1 = 60	Levels: 5 = 200 4 = 160 3 = 120 2 = 80 1 = 40	Levels: 5 = 100 4 = 80 3 = 60 2 = 40 1 = 20		
Helena (W)	3 = 600	4 = 720	4 = 640	4 = 560	335	3 = 300	2 = 160	2 = 120	3 = 120	4 = 80	23	3,635
Red Lodge (WW)	4 = 800	2 = 360	2 = 320	3 = 420	464	5 = 500	3 = 240	3 = 180	3 = 120	5 = 100	24	3,504
Chester (W)	3 = 600	3 = 540	4 = 640	3 = 420	280	3 = 300	3 = 240	3 = 180	3 = 120	4 = 80	25	3,400
Willow Creek (WW)	5 = 1,000	3 = 540	1 = 160	2 = 280	420	5 = 500	2 = 160	2 = 120	3 = 120	3 = 60	26	3,360
Columbia Falls (WW)	3 = 600	3 = 540	3 = 480	3 = 420	354	4 = 400	2 = 160	2 = 120	3 = 120	4 = 80	27	3,274
Lacasa Grande (W)	4 = 800	4 = 720	3 = 480	3 = 420	253	3 = 300	1 = 80	1 = 60	2 = 80	4 = 80	28	3,273
Elk Meadow (W)	3 = 600	3 = 540	4 = 640	3 = 420	280	5 = 500	1 = 80	1 = 60	1 = 40	4 = 80	29	3,240
Harlem (W)	3 = 600	2 = 360	3 = 480	3 = 420	474	4 = 400	2 = 160	2 = 120	3 = 120	3 = 60	30	3,194
Midvale (W)	2 = 400	2 = 360	4 = 640	3 = 420	460	4 = 400	2 = 160	2 = 120	3 = 120	3 = 60	31	3,140
Shelby (W)	3 = 600	3 = 540	3 = 480	3 = 420	190	2 = 200	3 = 240	3 = 180	3 = 120	4 = 80	32	3,050
Essex (W)	4 = 800	3 = 540	2 = 320	2 = 280	485	2 = 200	2 = 160	2 = 120	3 = 120	1 = 20	33	3,045
Stillwater (SW)	3 = 600	2 = 360	3 = 480	3 = 420	335	3 = 300	2 = 160	2 = 120	3 = 120	4 = 80	34	2,975
East Helena (WW)	4 = 800	2 = 360	2 = 320	3 = 420	259	3 = 300	2 = 160	2 = 120	3 = 120	4 = 80	35	2,939
Great Falls (SD)	2 = 400	3 = 540	4 = 640	3 = 420	208	2 = 200	2 = 160	2 = 120	3 = 120	3 = 60	36	2,868
Eureka (WW)	4 = 800	2 = 360	2 = 320	2 = 280	304	3 = 300	2 = 160	2 = 120	3 = 120	3 = 60	37	2,824
Hardin (WW)	2 = 400	2 = 360	3 = 480	3 = 420	307	2 = 200	2 = 160	2 = 120	3 = 120	5 = 100	38	2,667
Culbertson (WW)	3 = 600	2 = 360	2 = 320	2 = 280	332	3 = 300	2 = 160	2 = 120	3 = 120	3 = 60	39	2,652
Homestead (W)	2 = 400	2 = 360	2 = 320	2 = 280	348	4 = 400	1 = 80	1 = 60	1 = 40	3 = 60	40	2,348
Forsyth (WW)	2 = 400	2 = 360	2 = 320	2 = 280	255	2 = 200	2 = 160	2 = 120	3 = 120	5 = 100	41	2,315

KEY: B = BRIDGE

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WW = WASTEWATER

WW/SD = WASTEWATER/STORM DRAIN SEPARATION

SCORING LEVEL KEY:

5 = MOST CONSISTENT WITH STATUTORY PRIORITY

1 = LEAST CONSISTENT WITH STATUTORY PRIORITY

STAGE TWO OF THE PROCESS, FINANCIAL GAP ANALYSIS

The second stage of the process requires the department to make recommendations on the form of financing. The TSEP Financial Gap Analysis/Grant Award Recommendations chart summarizes the department's ranking results and recommendations on the form and amount of funding for each application. Details on the basis for the department's recommendation concerning the form and amount of funding for each application are found in the individual project descriptions.

The authorized forms of TSEP financing include grants, loans, and grant/loan combinations. Under policies previously established by the state, loans requested from TSEP are administered by DNRC to avoid establishing a duplicative state loan program. In order to make the recommendation, the department used financial analysis to determine what is a reasonable amount of funds that the applicant can provide and how much TSEP grant assistance, if any, is needed to make a local project feasible and reasonably affordable for local citizens. It is important to note that the policy established by the department, the Governor, and the legislature in the last three funding cycles is that TSEP grants should only be approved for projects where the Applicant is unable to borrow funds or obtain financing from other sources at reasonably affordable rates. In other words, TSEP is a "gap financing program."

Water, Wastewater, or Solid Waste Projects

"Financial Gap Analysis" used in the analysis of water, wastewater and solid waste projects, determined whether the applicant was at or above its target rate, and if not, whether it has additional debt capacity, and therefore, has the ability to borrow additional funds for the project in place of TSEP grant funds. In conducting the financial gap analysis, DOC used only 90% of the target rate as the basis for comparison against actual rates. Furthermore, in calculating the "financial gap," DOC provided each applicant with additional debt capacity ranging from \$500,000 to \$3 million depending on the number of households in the applicant's jurisdiction. These two adjustments provide local governments with a "margin" or "cushion" of future debt capacity which can be used to meet emergencies or facility needs which may be unknown at this time. If the applicant's actual combined water and wastewater rates, or solid waste rate, after implementation of the TSEP project, would be less than the target rate, then the amount of debt capacity that can be leveraged was subtracted from the grant request to determine the recommended grant award.

The amount of the grant award recommendation for water, wastewater and solid waste projects is based on the minimum amount necessary, as indicated by the financial gap analysis, to help make the utility rates more affordable for the citizens. If the applicant has sufficient debt capacity to borrow the funds requested from TSEP, such that the resulting increased user fees, taxes, or assessments appear affordable for local citizens, DOC did not recommend grant funding for the applicant.

Bridge Projects

"Financial Gap Analysis" used in the analysis of bridge projects, is primarily based on two indicators. The first indicator measures the residential property tax burden as a percentage of the county's MHI. The second indicator measures the effects of changes in the applicant's ability to levy property taxes. In order for an applicant to receive a recommendation by DOC for full funding under the financial gap analysis, a county should be:

1. currently levying for bridges, and/or have committed to levying for bridges in the next budget year, an amount equal to or greater than .04% of a county's MHI. However, if a county is levying an amount less than .04% of a county's MHI, DOC took into consideration a county's non-property tax revenues that it is using to fund its bridge system. For counties that use an all purpose levy, the financial gap analysis used that portion of the levy that is used for its bridge system; and

2. levying an amount equal to or greater than what was being levied in 1986 for bridges (the year that the taxation restrictions imposed by Initiative 105 took effect). However, if a county is levying less than it was in 1986 for bridges, DOC took into account decreases in a county's mill value and whether the number of bridge mills were increased in an attempt to maintain the bridge levy at a level similar to 1986.

The amount of the grant award recommendation for bridge projects is based on the degree to which counties have attempted to fund their bridge systems and the impact of restrictions on their ability to levy taxes. If it had not appeared that the county had sufficiently funded their bridge system given their ability to levy taxes, DOC would have reduced the amount of the grant award or not recommend grant funding for the applicant.

CONCLUSION

The process of evaluating and ranking TSEP applications is complex because of the numerous review elements, differences between applicants, and the complexities of different types of community infrastructure and financing methods for each. The department, and its consultants, stressed objectivity and fairness in the procedures used to evaluate and rank TSEP applications.

While no system is perfect, the methodology used in the financial analysis of water, wastewater and solid waste projects represents twelve years of effort to develop a system that analyzes relative financial need and capacity, and that is fair and equitable to all applicants. The DOC financial analysis methodology used for water, wastewater and solid waste projects is considered a model nationally and was highlighted at the Council of State Community Development Agencies Annual Infrastructure Workshop held in Washington D.C. in 1996. The DOC financial analysis methodology used for bridge projects represents four years of effort with a concentrated effort to refine the new methodology during the past two years. The department is not aware of any other financial analysis methodology for bridge projects similar to what the department has developed. For details on the development of this new financial analysis methodology for bridge projects, see "Improvements to TSEP Since the 1997 Legislature" (Part 2).

1998 TSEP Financial Gap Analysis /Grant Award Recommendations

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Additional
Debt
Capacity
(After
Allowance)

Cumulative TSEP Grant Proposed Award	Applicant	Utility	Number of Households	10 Priorities Ranking Score	Amount Requested	Proposed Grant Award	MHI	90.00% Target Monthly Rates	Existing Monthly Rates	Variance From Target Rates %	Variance From Target Rates \$	Monthly Rates with No Assistance	Variance From Target Rates %	Variance From Target Rates \$	Applicant Projected Monthly Rates with Full Assistance	Variance From Target Rates %	Variance From Target Rates \$	Monthly Rates with Proposed Award	Variance From Target Rates %	Variance From Target Rates \$	Additional Debt Capacity (After Allowance)
500,000	Harrison	Wastewater	66	5.056	500,000	500,000	21,667	13.00	0.00	0%	-13.00	53.01	408%	40.01	26.00	200.0%	13.00	26.00	200.0%	13.00	(739,715)
1,000,000	Arlee	Wastewater	165	4.819	500,000	500,000	14,792	8.88	0.00	0%	-8.88	32.70	368%	23.82	20.30	228.6%	11.42	20.30	228.6%	11.42	(958,501)
1,400,000	Highwood	Water	80	4.738	400,000	400,000	19,618	32.37	41.49	128%	9.12	80.91	250%	48.54	47.49	146.7%	15.12	47.49	146.7%	15.12	(679,787)
1,900,000	Missoula	Wastewater	18,607	4.723	500,000	500,000	19,029	31.40	41.65	133%	10.25	76.20	243%	44.80	76.07	242.3%	44.67	76.07	242.3%	44.67	(177,591,916)
2,400,000	Thompson Falls	Water	594	4.543	500,000	500,000	19,659	32.44	54.18	167%	21.74	63.02	194%	30.58	59.51	183.4%	27.07	59.51	183.4%	27.07	(4,842,724)
2,521,900	Phillipsburg	Water	495	4.429	121,900	121,900	14,673	24.21	33.05	137%	8.84	40.43	167%	16.22	38.80	160.3%	14.59	38.80	160.3%	14.59	(1,587,200)
2,609,100	Ekalaka	Wastewater	198	4.250	87,200	87,200	15,192	25.07	47.00	187%	21.93	51.47	205%	26.40	49.00	195.5%	23.93	49.00	195.5%	23.93	(1,340,456)
3,094,950	Rae*	Wastewater	270	4.235	500,000	485,850	26,437	43.62	67.98	156%	24.36	79.08	181%	35.46	71.73	164.4%	28.11	76.10	174.5%	32.48	(2,418,640)
3,594,950	Big Timber	Wastewater	789	4.214	500,000	500,000	18,125	29.91	38.32	128%	8.41	54.96	184%	25.05	50.96	170.4%	21.05	50.96	170.4%	21.05	(3,614,170)
4,094,950	Glasgow	Wastewater	1,665	4.198	500,000	500,000	20,766	34.26	42.28	123%	8.02	46.47	136%	12.21	44.51	129.9%	10.25	44.51	129.9%	10.25	(4,102,502)
4,505,710	Corvallis	Wastewater	271	4.133	410,760	410,760	15,972	9.58	9.73	102%	0.15	29.47	308%	19.89	19.72	205.8%	10.14	19.72	205.8%	10.14	(924,558)
5,005,710	Boulder	Water	470	4.029	500,000	500,000	20,536	33.88	17.22	51%	-16.66	35.92	106%	2.04	28.72	84.8%	-5.16	28.72	84.8%	-5.16	(144,040)
5,420,710	Denion	Wastewater	167	4.025	415,000	415,000	20,625	34.03	37.00	109%	2.97	65.55	193%	31.52	45.83	134.7%	11.80	45.83	134.7%	11.80	(746,683)
5,920,710	Cut Bank	Water	1,244	4.019	500,000	500,000	23,378	38.57	47.05	122%	8.48	68.35	177%	29.78	65.63	170.2%	27.06	65.63	170.2%	27.06	(5,940,852)
6,101,865	Richland County	Bridge	4,009	4.015	181,155	181,155	23,264	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
6,401,865	Geraldine	Wastewater	116	3.980	300,000	300,000	19,732	32.56	30.00	92%	-2.56	58.57	180%	26.01	40.41	124.1%	7.85	40.41	124.1%	7.85	(628,823)
6,901,865	Augusta	Wastewater	167	3.923	500,000	500,000	17,024	10.21	10.00	98%	-0.21	33.35	327%	23.14	17.90	175.3%	7.69	17.90	175.3%	7.69	(747,205)
7,205,612	Have	Water	3,250	3.826	303,747	303,747	25,646	42.32	37.40	88%	-4.92	47.75	113%	5.43	47.20	111.5%	4.88	47.20	111.5%	4.88	(4,698,968)
7,418,612	Sweetgrass	Wastewater	43	3.808	213,000	213,000	14,167	23.38	31.80	136%	8.42	65.00	278%	41.62	41.53	177.6%	18.15	41.53	177.6%	18.15	(663,644)
7,918,612	Lewis and Clark County	Bridge	18,649	3.743	500,000	500,000	26,409	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
8,211,462	Drummond	Wastewater	181	3.735	292,850	292,850	15,208	9.12	14.87	163%	5.75	30.94	339%	21.82	19.99	219.2%	10.87	19.99	219.2%	10.87	(788,776)
8,711,462	South Hills**	Water	107	3.660	500,000	500,000	24,076	39.73	62.11	156%	22.38	117.57	296%	77.84	91.11	229.3%	51.38	91.11	229.3%	51.38	(1,463,164)
9,211,462	Helena**	Water	8,039	3.635	500,000	500,000	25,462	42.01	55.00	131%	12.99	61.57	147%	19.56	61.12	145.5%	19.11	61.12	145.5%	19.11	(24,048,712)
9,711,462	Red Lodge**	Wastewater	1,101	3.504	500,000	500,000	17,375	28.67	41.76	146%	13.09	59.16	206%	30.49	57.20	199.5%	28.53	57.20	199.5%	28.53	(8,247,924)
9,711,462	Chester	Water	394	3.400	220,150	0	22,500	37.13	39.00	105%	1.87	46.79	126%	9.66	44.19	119.0%	7.06	46.79	126.0%	9.66	(1,095,080)
9,711,462	Willow Creek	Wastewater	77	3.360	500,000	0	24,728	14.84	22.40	151%	7.56	53.64	361%	38.80	28.15	189.7%	13.31	53.64	361.5%	38.80	(760,068)
9,711,462	Columbia Falls	Wastewater	1,584	3.274	500,000	0	23,328	38.49	36.51	95%	-1.98	57.70	150%	19.21	55.56	144.3%	17.07	57.70	149.9%	19.21	(5,468,646)
9,711,462	Lacasa Grande	Water	156	3.273	500,000	0	28,359	29.78	28.00	94%	-1.78	58.52	197%	28.74	31.40	105.4%	1.62	58.52	196.5%	28.74	(529,674)
9,711,462	Elk Meadows	Water	42	3.240	210,000	0	33,967	35.67	47.00	132%	11.33	89.30	250%	53.63	55.03	154.3%	19.36	89.30	250.4%	53.63	(617,873)
9,711,462	Harlem	Water	361	3.194	179,311	0	18,977	31.31	54.02	173%	22.71	57.72	184%	26.41	54.02	172.5%	22.71	57.72	184.4%	26.41	(1,593,919)
9,711,462	Midvale	Water	84	3.140	374,720	0	19,220	20.18	38.00	188%	17.82	65.41	324%	45.23	39.36	195.0%	19.18	65.41	324.1%	45.23	(774,172)
9,711,462	Shelby	Water	1,077	3.050	400,000	0	25,417	41.94	39.08	93%	-2.86	45.85	109%	3.91	41.78	99.6%	-0.16	45.85	109.3%	3.91	(984,413)
9,711,462	Essex	Water	35	3.045	342,100	0	18,229	19.14	0.00	0%	-19.14	66.93	350%	47.79	36.88	192.7%	17.74	66.93	349.7%	47.79	(701,132)
9,711,462	Stillwater	Solid Waste	2,493	2.975	105,754	0	25,201	7.56	10.17	135%	2.61	10.66	141%	3.10	10.17	134.5%	2.61	10.66	141.0%	3.10	(2,063,768)
9,711,462	East Helena	Wastewater	639	2.939	479,609	0	25,720	42.44	55.23	130%	12.79	60.18	142%	17.74	55.23	130.1%	12.79	60.18	141.8%	17.74	(2,230,327)
9,711,462	Great Falls***	Storm Drain	16,544	2.868	500,000	0	23,113	38.14	32.92	86%	-5.22	33.28	87%	-4.86	33.12	86.8%	-5.02	33.28	87.3%	-4.86	(12,847,064)
9,711,462	Eureka	Wastewater	402	2.824	300,000	0	18,974	31.31	30.13	96%	-1.18	44.73	143%	13.42	40.25	128.6%	8.94	44.73	142.9%	13.42	(1,094,359)
9,711,462	Hardin	Wastewater	1,082	2.667	347,270	0	21,045	34.72	35.18	101%	0.46	36.95	106%	2.23	35.43	102.0%	0.71	36.95	106.4%	2.23	(1,161,080)
9,711,462	Culbertson	Wastewater	339	2.652	500,000	0	23,125	38.16	36.92	97%	-1.24	59.68	156%	21.52	51.69	135.5%	13.53	59.68	156.4%	21.52	(1,340,988)
9,711,462	Homestead	Water	152	2.348	168,000	0	30,750	32.29	62.00	192%	29.71	63.13	196%	30.84	53.78	166.6%	21.49	63.13	195.5%	30.84	(883,551)
9,711,462	Forsyth	Wastewater	819	2.315	500,000	0	26,729	44.10	41.62	94%	-2.48	51.80	117%	7.70	47.36	107.4%	3.26	51.80	117.5%	7.70	(1,364,541)
					15,852,526	9,711,462															

1 Indicates the amount of award an applicant would receive

2 Median Household Income as determined by 1990 Census data

3 Financial gap analysis for water and waste water systems and storm drain systems uses target rate analysis based on 90% of targets and a debt capacity allowance based on the number of households served in the applicant jurisdiction. (Target rates for water and waste water applicant systems is based on the combination of the water system target rate percentage of 1.4% of MHI plus the target rate percentage for waste water systems of .8% of MHI, producing a combined target rate percentage of 2.20% of MHI. The target rate for solid waste systems is based on the target rate percentage of .4% of MHI)

4 Additional debt capacity (after allowance) is based on the difference between the monthly rate with full assistance and target rate, and then factoring in the number of hook-ups. The calculation determines the amount of additional debt that each hook-up could take on in order to bring the monthly rate up to the target rate. Communities that have some additional debt capacity may be recommended for partial funding, but will still not have monthly rates at the target rate because of the additional debt capacity provided to ensure that communities have some debt capacity remaining.

Allowed additional debt capacity by number of households	
Less Than 500	Households \$500,000
501 to 1,500	Households \$1,000,000
1,501 to 3,000	Households \$1,500,000
3,001 to 5,000	Households \$2,000,000
More Than 5,000	Households \$3,000,000

N/A - Project is not subject to target rate analysis. For bridge projects supported by general taxation, financial gap analysis is based on an analysis specifically designed for bridge projects using two financial indicators.

Applications recommended for TSEP grant Awards

* The recommended award for Rae Water and Sewer District was reduced to meet the 50% matching funds requirement

**These applicants are recommended for grant awards contingent upon TSEP funds being available

***Great Falls is not recommended for a grant award based on OOC financial gap analysis

PART 6

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GLOSSARY OF ACRONYMS USED IN THE PROJECT SUMMARIES

BOD	Biochemical Oxygen Demand (a water quality measurement)
CDBG	Community Development Block Grant Program (MDOC)
CIP	Capital Improvements Plan
DEQ	Montana Department of Environmental Quality
DNRC	Montana Department of Natural Resources and Conservation
DOC	Montana Department of Commerce
ED	Economic Development
EDA	Economic Development Agency (U.S. Department of Commerce)
EPA	U.S. Environmental Protection Agency
FEMA	Federal Emergency Management Administration
I&I	Infiltration and Inflow (engineering analysis term)
INTERCAP	Intermediate Term Capital Program (Board of Investments)
ISO	Insurance Services Office
LMI	Low and Moderate Income
MCL	Maximum Contaminant Level (a water quality measurement)
MDT	Montana Department of Transportation
MHI	Median Household Income
MPDES	Montana Pollutant Discharge Elimination System
NA	Not Applicable (the applicant does not have this type system)
NCRS	National Conservation and Resource Service
O & M	Operation and Maintenance
RD	Rural Development (U.S. Department of Agriculture)
RRGL	Renewable Resource Grant and Loan Program (DNRC)
SCS	Soil Conservation Service
SRF	State Revolving Loan Fund (Water and Wastewater) Programs (DEQ)

TSEP	Treasure State Endowment Program (DOC)
TSS	Total Solids Suspended (a water quality measurement)
WQB	Water Quality Bureau (DEQ)

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE
PROJECT NO. 1
APPLICANT: HARRISON WATER & SEWER DISTRICT, MADISON COUNTY

Type of Project: **New Wastewater System**

Funding Sources:	<u>TSEP Request</u> \$ 500,000 Grant	<u>Matching Funds</u> \$ 100,000 RRGL Grant \$ 300,000 DEQ Hardship Grant \$ 400,000 RD Grant \$ 300,000 RD Loan
Total	<hr/> \$ 500,000	<hr/> \$1,100,000

Project Total: **\$1,600,000**

Percent Matching Funds:	69%	Existing Combined Monthly Rate:	NA
Population:	165	Target Monthly Wastewater Rate:	\$13
Number of Households:	66	Monthly Rate With No Assistance:	\$53.01
Number of Total Hookups:	81	Monthly Rate With TSEP Funding:	\$26.00
Median Household Income:	\$21,667	Variance From Target Rate:	200%
Existing Monthly Water Rate:	NA		
Existing Monthly Wastewater Rate:	NA		

Project Summary:

Problem - The community of Harrison is situated near Willow Creek, with a groundwater table that rises to within one to four feet of the surface. This situation has caused some on-site treatment systems to fail. The Madison County sanitarian has placed a moratorium on any new on-site systems. In addition, the local elementary school has been placed under a State order to improve, or replace, its current wastewater treatment system (multiple septic tanks and drain fields) or connect to a municipal system. Harrison is ranked number one on the DEQ priority list for corrective action.

Proposed Solution - The proposed project would abandon the existing on-site septic tank/drain field systems and replace them with a conventional gravity (8-inch minimum diameter pipes with manholes) collection system. The collection system would flow to a lift station at which point the sewage would be pumped to two facultative storage lagoons. The treated effluent would be discharged using spray irrigation in the summer months.

This project received 5,056 points out of a possible 5,500 points.
This project ranked 1st out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The combined water and wastewater rates charged to households would be 200% of the target rate with TSEP Assistance and 408% without, which indicates an extremely serious affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

The District does not have a public wastewater treatment and collection system as identified in the Project Summary on the preceding page. The DOC review engineer stated that there is a clear public health risk due to contamination of ground and surface water. The most urgent and important public health risk is the contamination of groundwater used as a drinking water source. The Montana Food and Consumer Safety Bureau has issued an order requiring corrective action which includes septic system replacement or connection to a public system. The County sanitarian has placed a moratorium on all new septic tanks and drainfields in the area and requires that a variance be pursued for all replacement systems. Elimination of on-site systems will result in protection of the drinking water source. The DEQ has ranked this project at the top of their current priority list, indicative of their concern over the situation.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that the proposed project would allow for the local school to comply with a State order for upgrading their sewage treatment system, and would result in the County sanitarian lifting a moratorium on new on-site wastewater treatment systems in the District.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 5, 800 Points

The DOC review engineer stated that the project represents a cost-effective long-term solution for the community and is based on a thorough facility planning effort. No significant planning issues were left unanswered, and the project documentation was thorough. The facility plan is detailed in its evaluation of multiple alternatives for collection and treatment facilities. Present worth analysis is utilized, along with consideration of environmental factors, operational requirements, etc. The selected alternative is both cost-effective, and of appropriate complexity for the District. The DOC review engineers gave this application the highest possible score because the analysis was exceptionally complete and well done.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 5, 700 Points**

This project would result in the highest benefit to the public commensurate with the amount of financial assistance requested. The District has an extremely serious public health threat that would be corrected by this project, and TSEP participation is extremely important to enable this project to proceed.

No planning efforts took place until 1995 when this project was initiated. The Applicant stated that a grassroots effort by several local individuals was initiated to investigate implementing a community wastewater system. The District hired an engineer to develop a facility plan. The Applicant stated that a facility plan was prepared in such great detail that it has essentially become a CIP for the District. Water is obtained by each user from private wells. The Applicant stated that prior to 1995, DEQ put the Harrison School on notice that its existing on-site wastewater disposal system was not acceptable. During the same time period, the Madison County Commissioners placed a moratorium on all new on-site wastewater systems.

The Applicant is requesting \$7,575.76 per household. However, the Applicant has met all three criteria, as described in the TSEP Application Guidelines, necessary to waive the maximum \$5,000 per household limitation:

1. A very serious deficiency exists since the District lacks a central wastewater collection and treatment system as discussed in Statutory Priority #1, and
2. The proposed project will increase user rates to \$26.00 or 200% of the target rate, and
3. The Applicant has adequately documented that all reasonable funding sources are being utilized as discussed in Statutory Priority #6.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 516 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$21,667
% persons at or below LMI	43%
% persons at or below poverty	18%

The analysis for this applicant shows that the:

- median household income is 22nd out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 17th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 10th out of the 41 applications.

Household Economic Condition Analysis Ranking: 18th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	NA	NA
Monthly Rate With No Assistance	\$53.01	408%
Monthly Rate With Assistance	\$26.00	200%

Target Rate Analysis Ranking: 1st in the field of 41 applications.

Overall Competitive Ranking: 6th in the field of 41 applications = 516 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
DEQ	Hardship Grant	\$300,000	Applied/#1 on DEQ funding priority list.
RD	Grant	\$400,000	Discussed/Not Applied
RD	Loan	\$300,000	Discussed/Not Applied
Total		\$1,100,000	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. All appropriate funding sources were discussed and reasonable justifications were provided for not utilizing the other funding sources. The Applicant has a LMI of 43% which could make the District ineligible for CDBG funds.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 200% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that since the County has put a moratorium on new septic systems, additional population growth or business growth is limited. The Applicant further stated that doing nothing may result in a loss of jobs if existing businesses feel their ability to grow is limited and elect to move to another community. Finally, the Applicant stated that if the Harrison School is forced to close an estimated 25 jobs would be lost.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant stated that indirectly, business and economic growth are founded on a strong public infrastructure, and the existing wastewater system is limiting potential for business growth.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the wastewater improvements will expand the existing tax base by providing the infrastructure necessary to support business growth along with increased population. The Applicant also stated that the County has placed a moratorium on installing new on-site wastewater systems in the District, which prevents new construction and consequently tax base growth. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points**

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the

estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Applicant had its first public information meeting on in 1995 to discuss the wastewater system improvements. Shortly after this meeting, a engineer was obtained by the community wastewater steering committee to assist with the project. The County obtained technical assistance grants to assist in developing a wastewater facility plan. The plan was completed in April of 1998. Three public hearings were held in the evenings in April and May, 1998. The Applicant provided copies of support letters, legal notices, newspaper articles, minutes, and sign-in sheets for all the hearings. Considering the size of the community, the meetings were well attended and the project appears to have no opposition. Alternative funding scenarios and user rates were discussed in detail at the last two public hearings. The Applicant began the formation of the Harrison Water & Sewer District in December of 1997. An election was held on June 2, 1998, to form the District.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. The Applicant has stated that there are wetlands in the project area. These areas will be delineated and mitigating measures taken. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment. The Applicant stated that the project will improve the environment by eliminating the discharge of wastewater effluent to Willow Creek.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 2****APPLICANT: ARLEE WATER & SEWER DISTRICT, LAKE COUNTY****Type of Project:** New Wastewater System

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 11,388 District
		\$ 12,745 DEQ Grant
		\$ 25,000 S&K Tribe Grant
		\$ 400,000 CDBG Grant
		\$ 410,000 RD Loan
		<u>\$1,229,900 RD Grant</u>
Total	<u>\$ 500,000</u>	\$2,089,033

Project Total: \$2,589,033

Percent Matching Funds:	81%	Existing Combined Monthly Rate:	NA
Population	500	Target Monthly Wastewater Rate:	\$8.88
Number of Households:	165	Monthly Rate With No Assistance:	\$32.70
Number of Total Hookups:	200	Monthly Rate With TSEP Funding:	\$20.30
Median Household Income:	\$14,792	Variance From Target Rate:	229%
Existing Monthly Water Rate:	NA		
Existing Monthly Wastewater Rate:	NA		

Project Summary:

Problem - The lack of a sewage disposal and/or a public water supply systems for the District's lots which are located in close proximity to each other has created the following deficiencies:

1. increasing nitrate contamination in District wells,
2. moratorium on new sewer installation near and in the community by the County,
3. potential for contamination of area wells during time of drought when there is a high demand on the aquifer, and
4. 64 Safe Drinking Water violations in eight public service establishments.

Proposed Solution - The proposed project would construction a wastewater collection and treatment system for the District.

This project received 4,819 points out of a possible 5,500 points.**This project ranked 2nd out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The combined water and wastewater rates charged to households would be 229% of the target rate with TSEP Assistance and 368% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There are several deficiencies in the deficiencies in the Districts wastewater treatment and collection system as identified in the Project Summary on the preceding page. The DOC review engineer stated that there is an urgent and serious public health treat in the townsite of Arlee. The permitting authority for on-site wastewater systems in Lake County recognizes this and in a written letter in support of the project states: "Nowhere in Lake County is the placement of on-site wastewater systems more difficult than the townsite of Arlee". There is clear documentation that groundwater nitrate levels are on the rise and may soon exceed 10 mg/l, the drinking water MCL. Bacterial contamination of wells used for the public school system is documented and chlorination is required. Several studies by students from the Salish and Kootenai Community College from 1995 to 1997 concluded that the nitrate contamination was increasing and also showed presence of phosphates and coliform bacteria. A 1997 report predicted that nitrate levels would increase to the point where they exceeded federal drinking water standards in the early part of the next century. Lot sizes in the town of Arlee are generally 50' x 140'. This results in a situation where domestic wells and on-site wastewater treatment systems are in close proximity to each other. Contamination of the groundwater (bacterial and nitrate), including domestic wells, is documented, although no serious illnesses cannot be directly attributed to contamination. Lake County Land Services has issued a moratorium on new septic systems in the Arlee townsite. Safe Drinking Water Act violations have occurred for the school systems and several other community-type systems in the area.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that the District has documented numerous violations of Safe Drinking Water Act bacterial standards in community wells, such as at the elementary and high school. These users and others are required to chlorinate their water supplies. Elevated levels of nitrates have also been measured, although they are not yet in violation of federal/state standards. The only logical source of the bacterial contamination is all the on-site systems. The development of a community-based wastewater collection and treatment system will eliminate the major potential source of the well contamination and future state regulatory directives.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN**Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points**

The DOC review engineer stated that the project essentially incorporates conventional, practical, and cost-effective technology for a community the size of the District. There is no reason to believe that the selected alternative will not work. The application would have been rated higher on this statutory priority if an additional investigation and alternative development had been performed, with a focus on cost-effectiveness. The plan is not as comprehensive as other similar applicant's plans completed for similar projects. A larger cost contingency would be appropriate for the project since items such as a selected site are not yet identified.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 5, 700 Points**

This project would result in the highest benefit to the public commensurate with the amount of financial assistance requested. The District has an extremely serious public health threat that would be corrected by this project, and TSEP participation is critical to enable this project to proceed.

The Applicant formed the District in 1985 as a result of the Flathead "208" Drainage Project study. The study consisted of an evaluation of the potential for a new water or sewer system for Arlee. Even though the Applicant did not take any action, they are now prepared to make a long-term commitment to provide safe water and develop a wastewater collection and treatment system. A facility plan has been prepared for the District. The Applicant is also in the process of budgeting for preparing a CIP. Currently, there is no revenue being collected for either the proposed water or wastewater treatment system.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 559 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$14,792
% persons at or below LMI	60%
% persons at or below poverty	12.30%

The analysis for this applicant shows that the:

- median household income is 3rd out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 3rd out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 25th out of the 41 applications.

Household Economic Condition Analysis Ranking: 7th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	NA	NA
Monthly Rate With No Assistance	\$32.70	368%
Monthly Rate With Assistance	\$20.30	229%

Target Rate Analysis Ranking: 1st in the field of 41 applications.

Overall Competitive Ranking: 3rd in the field of 41 applications = 559 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
District	Taxes	\$11,388	Budgeted for 1999 Tax Year
DEQ	Grant	\$12,745	Committed
S&K Tribes	Grant	\$25,000	Committed
CDBG	Grant	\$400,000	Will apply May 1999
RD	Loan	\$410,000	Discussed, has not applied
RD	Grant	\$1,229,900	Discussed, has not applied
Total		\$2,089,033	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant stated that a SRF loan will be considered as an option for the new water system if the District can afford the debt service. According to the RD staff they are highly committed to helping fund the proposed project.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 200% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that this project is not designed to assist a specific business. However, the current moratorium on any additional hookups due to the lack of a wastewater system prohibits the growth of business within the immediate area. A private company, Montana Naturals, located south of Arlee, has received several CDBG economic development loans which will result in over 80 jobs being created over the next four years. The company's current septic system will eventually be at design capacity, and future growth of the company could be at risk. When a public wastewater system is constructed, the company hopes to be annexed into the District. The Applicant stated that Arlee has a labor surplus. The Applicant stated that infrastructure development will retain jobs and encourage new businesses to locate in Arlee. The number of jobs to be created or retained was not specified. The Applicant provided six letters of support from local business owners and employers, indicating that they are unable to expand under the current circumstances. It was further stated that unless something is done with the infrastructure, the community faces economic stagnation. The Applicant stated in the problem statement that there has been 64 Safe Drinking Water violations in eight public service establishments, which supports the concerns of the local businesses.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

As noted, under Statutory Priority #7, the Applicant stated that local businesses are convinced that infrastructure improvements are critical to their continued existence and potential expansion. A letter of support from the Arlee Medical Clinic implied that growth is stifled because it increases the chance of a serious water contamination problem if sewer and water systems are not built. The Applicant also stated that businesses in Arlee are in competition with the Missoula business community, and that the local businesses need the ability to expand and improve to stay vibrant.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 4, 160 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The Applicant mentioned various specific businesses that have a critical need for the proposed improvements in order to expand or survive, that would increase the tax base. However, the Applicant did not provide specific documentation detailing any business plans that would verify its claim.

The Applicant provided six letters of support stating that the proposed project will provide the potential for expansion of local businesses and promote growth. The major local employer, Montana Natural's, has indicated that the company would like to be annexed on to the new sewer system so that they can continue their growth. Lake County has placed a moratorium on new construction in the District. This limitation directly affects the continued growth of the tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Applicant provided the minutes of several public meetings held by the District over the past several years. There appears to have been considerable public participation in the design of the proposed project. The most recent public hearing was held on March 9, 1998. The sign-in sheet documented at least 29 persons were in attendance. The minutes documented that the cost of infrastructure improvements to home owners was discussed, as well as how the District would try to keep the cost at low or affordable rates for the elderly and LMI households. The Applicant provided newspaper articles, flyers, and signature attendance sheets for the most recent public meeting and past public meetings. There were 17 letters of support for the proposed project from local businesses, the school, the Salish and Kootenai Tribe, as well as local home owners. The Applicant stated that they are currently in favor of a CIP, however, one has not been adopted yet.

Environmental Impact

The Uniform Environmental Checklist was prepared by the consultant who assisted with the preparation of the application. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE
PROJECT NO. 3
APPLICANT: HIGHWOOD WATER & SEWER DISTRICT, CHOUTEAU COUNTY

Type of Project: **Water System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$400,000 Grant	\$360,000 CDBG Grant
		\$ 34,560 SRF Loan
		\$ 9,000 District
Total	\$400,000	\$403,560

Project Total: **\$803,560**

Percent Matching Funds:	50%	Existing Combined Monthly Rate:	\$41.49
Population:	180	Target Combined Monthly Rate:	\$32.37
Number of Households	80	Monthly Rate With No Assistance:	\$80.91
Number of Total Hookups:	95	Monthly Rate With TSEP Funding:	\$47.49
Median Household Income:	\$19,618	Variance From Target Rate:	147%
Existing Monthly Water Rate:	\$10.00		
Existing Monthly Wastewater Rate:	\$31.49		

Project Summary:

Problem - The District's water system has numerous deficiencies including:

1. lead concentrations that exceed the EPA's Lead and Copper Rule,
2. negative system pressures,
3. inadequate chlorine contact time,
4. source development and treatment does not meet state standards,
5. no fire protection,
6. inadequate valving and looping,
7. aged and deteriorating mains and services, and
8. no water meters on the supply and individual services.

Proposed Solution - The proposed project would replace much of the distribution system, loop most of the dead-ends, replace lead service lines, add fire hydrants, construct an adequate water tank, and upgrade existing well controls.

The District is also developing a wastewater system project to be constructed in 1999. The project will be funded by a CDBG grant awarded in August, 1998, and RD. Water meters will be installed on all system water services as part of the wastewater project.

This project received 4,738 points out of a possible 5,500 points.
This project ranked 3rd out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$400,000

1. The combined water and wastewater rates charged to households would be 147% of the target rate with TSEP Assistance and 250% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There are numerous serious deficiencies in the District's water system as identified in the Project Summary on the preceding page. The system serves approximately 200 people with 91 full-time and 4 seasonal connections. The water system was constructed between 1940 and 1955, and has not been significantly modified since that time. The District's source of supply consists of four 30 feet deep wells located on the south edge of the District near Highwood Creek. The well capacity is estimated to be approximately 200 gallons per minute. A small 30,000 gallon concrete storage tank on an adjacent hill serves as the only system storage. The distribution system consists of one to six-inch asbestos, galvanized, and lead pipes. The only fire hydrant on the system is over 50 years old. The quality of water produced by the District's three wells is adequate for the needs of the community. The chemical analysis of the water meets or exceeds all drinking water standards. The DOC review engineer stated that the application documented a serious deficiencies exist within the water system. The deficiencies of the District's water system stems mostly from the outdated distribution piping, lack of adequate storage and the original design. Some, but not all, of the deficiencies are continual and chronic. The entire community is impacted.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that the proposed project will address serious health and safety standards regarding lead, fire protection, water treatment, and the distribution system. Although the water system is not currently under a state or federal court order or directive, the EPA Lead and Copper Rule mandates compliance for small systems by January, 1999. Due to the serious health threat of excessive lead in drinking water, a state and/or federal directive will likely happen in the near future if this problem goes unresolved.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 640 Points

The DOC review engineer stated that the engineering analysis is well prepared and the selected alternatives for the water system improvements are appropriate. Most conclusions appear reasonable based on the reviewer's experience. The reviewer concurs with the selected alternative within the analysis. The only weakness in the report was a lack of specific detail on the deficiencies of the existing

pumping, treatment and control system. Also, the pumping, treatment and control improvements were not explained in sufficient detail to allow the reviewer to evaluate them.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 5, 700 Points

This project would result in the highest benefit to the public commensurate with the amount of financial assistance requested. The District has an extremely serious health threat that would be corrected by this project, and TSEP participation is critical to enable this project to proceed.

In 1996, the Highwood County Water and District was created. The first obstacle which the newly created district board faced was a failing wastewater treatment facility. The original treatment facility was developed through a rural improvement district. Even though there was a local plant operator, there was no local board to oversee maintenance and operation of the system. When the District was finally created, the treatment facility was beyond simple repair. The District developed a CIP that addressed the community's infrastructure needs. In 1996, Chouteau County submitted applications for infrastructure improvements to the CDBG, TSEP and DNRC programs on behalf of the Highwood community. During the application process, Highwood expended over \$10,000 to complete an engineering analysis for both the water and wastewater systems. The project was not funded at that time as a result of an inadequate engineering analysis and design deficiencies.

An important component of Highwood's CIP was the paving of secondary Highway #228 which was scheduled for bidding in 1997. The community wanted the distribution lines replaced prior to the paving project. The MDT postponed the project until 1998. Approximately one quarter of the distribution system has been designed for replacement as part of the highway reconstruction project. These improvements will be completed at a significant cost to Highwood before loan and grant money becomes available for rehabilitating the remainder of the system. The District will be responsible for those costs and are not included as part of this project cost. The anticipated cost to the District is approximately \$20,000. In addition, the District had the 1996 engineering analysis updated at a cost of \$9,000. The District utilized its reserve account for both of these expenditures.

In the summer of 1997, the District hired an engineering firm to complete a wastewater facility plan to comprehensively evaluate the wastewater collection and treatment system. The plan provides the District with a 20-year planning horizon to implement needed projects in a logical manner. The wastewater system project will be constructed in 1999, consistent with the District's CIP. The project will be funded by a CDBG grant awarded in August, 1998, and RD. Water meters will be installed on all system water services as part of the wastewater project.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 378 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$19,618
% persons at or below LMI	50%
% persons at or below poverty	10.6%

The analysis for this applicant shows that the:

- median household income is 15th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 10th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 33rd out of the 41 applications.

Household Economic Condition Analysis Ranking: 15th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$41.49	128%
Monthly Rate With No Assistance	\$80.91	250%
Monthly Rate With Assistance	\$47.490	147%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 21st in the field of 41 applications = 378 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level , Points 500

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
CDBG	Grant	\$360,000	Will Apply in 1999
SRF	Loan	\$ 34,560	Discussed
District	Contribution	\$ 9,000	Committed
Total		\$403,560	

The Applicant provided strong documentation that TSEP funds are necessary to enable it to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented thorough efforts to seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. With only 94 users on the system, the District needs to seek grant funding in order to keep the users rates at an

affordable level. The District is not eligible for funding for its proposed water project through the RD Program since the proposed monthly rate will be only \$16.00. Communities are not eligible to receive grant funds until their user rates are at a "modest level". This level has been established between \$27 to \$30 per month. Even though, the District is proceeding with a wastewater facility project, and the user rate for the wastewater project is projected at \$31.49 per month. Unlike TSEP, RD does not consider the combined target rate in their financial analysis. Hence, the combined target rate would have to reach \$57 before the District would be eligible for any grant assistance from RD for the proposed water project. The District would be eligible to submit an application for grant funding through the RRGL program. However, these grant funds were not applied for because the District will need loan funds, rather than grants, to provide match for the planned CDBG grant application in May, 1999. Currently, the proposed SRF loan program offers the lowest interest rates available to the District.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. Without TSEP participation, the Applicant will have user fees 250% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that if the community's water and wastewater problems can be resolved, the area has potential for attracting both business and residential development. Most of the residents of Highwood work on nearby farms and ranches or in the few stores in Highwood. Those, who do not work locally, generally commute to Great Falls for work, about 30 miles west. Highwood's scenic setting and proximity to Great Falls increases its growth potential as a "bedroom community". With residential growth, the opportunity for additional development also increases. However, due to the ongoing problem of water shortages and deficiencies within the existing wastewater treatment plant, the Board of Directors of the District has adopted a policy prohibiting new subdivisions from hooking on to the water or sewer systems until both systems are upgraded.

In addition, Bear Paw Development Corporation's Small Business Development Center has counseled several individuals who were interested in purchasing or starting up businesses in Highwood. The Applicant stated that the proposed businesses have the potential to create approximately ten new jobs in Highwood. However, the business proposals have been put on hold until the water, sewer and highway projects have been completed in Highwood. With the paving of secondary highway #228, Highwood could become a major route from the northern part of Montana, via way of Fort Benton, to the Showdown Ski Resort area. According to the Applicant, this could lead to further economic development.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant stated that while this project is not directly tied to a particular business, the moratorium on new connections to the water and sewer system limits the growth potential in the area. One business that the community is very interested in is the Highwood Grocery Store and Cafe, which closed in 1995. Several individuals have expressed an interest in re-opening the business; however, they are concerned about the growth potential of the business. Factors that may encourage community growth include two planned minor subdivisions, reconstruction of the highway through the community and planned improvements to the water and sewer systems. However, without the improvements to both the water and sewer systems, the subdivisions cannot proceed.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that when the needed infrastructure improvements are completed, the District will be able to remove the moratorium on new connections and a proposed local subdivision will be able to proceed. Without the moratorium, there are numerous vacant properties within the service area which could be developed. This potential residential development would substantially benefit the tax base in this community. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other past efforts to elicit support for the proposed project.

In the fall of 1994, the community of Highwood created the Highwood Enhancement Organization. This group met with the County regarding the improvements to Highway #228 and the need for public facility improvements. The Highwood community subsequently submitted applications to the CDBG, TSEP and DNRC programs in 1996 for infrastructure improvements. During the application process for the CDBG and TSEP programs, the community held several public hearings on the proposed water and wastewater projects. However, those applications were not successful. In the fall of 1996, Highwood established a County Water and Sewer District. Local residents voted 125 for and 7 against creating the district, an indication of strong community support. While preparing the 1996 applications, the District also developed a CIP that addressed the community's infrastructure needs. The CIP was adopted in January,

1997. The District held a public meeting on April 6, 1998, to discuss the updated project and cost. Twenty-seven people attended the meeting. Bear Paw staff and the consulting engineer explained the proposed project and the funding strategy. Copies of the news articles, legal notices, sign-in sheets and minutes of the meeting related to the public meeting were provided. The Highwood community has been working for over four years to resolve their basic public facilities problems.

Environmental Impact

The Uniform Environmental Checklist was prepared by the staff of Bear Paw Development Corporation. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 4****APPLICANT: CITY OF MISSOULA****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 100,000 RRGL Grant
		\$1,770,257 City Bond
		\$2,694,850 SRF Loan (City SID)
		<u>\$ 150,000</u> Missoula Water Quality District Grant
Total	<u>\$ 500,000</u>	\$4,715,107

Project Total: \$5,215,107

Percent Matching Funds:	90%	Existing Combined Monthly Rate:	\$41.65
Population:	2,463	Target Combined Monthly Rate:	\$31.40
Number of Households:	460	Monthly Rate With No Assistance:	\$76.20
Number of Total Hookups:	484	Monthly Rate With TSEP Funding:	\$76.07
Median Household Income:	\$19,029	Variance From Target Rate:	242%
Existing Monthly Water Rate:	\$34.73		
Existing Monthly Wastewater Rate:	\$6.92		

Project Summary:

Problem - The Missoula Valley aquifer has been designated the only Sole-Source Aquifer (SSA) in HUD's Region VII. The Missoula aquifer is the City's only source of drinking water and, according to current research, it is extremely vulnerable to contamination. Therefore, protecting valuable water resources is a high priority for the City. The Missoula Valley Water Quality District conducted a study of eight high density, unsewered areas to evaluate the need for connection of homes and businesses to sewage treatment facilities. Based on all of the factors considered, the East Reserve Street area represents the most significant threat to water quality and public health. With 26% of the total unsewered units in this one area, the total loading to groundwater is higher than in any other area.

Proposed Solution - The proposed project would be Phase II and III of a three phase project to construct a wastewater collection system in the East Reserve Street area.

This project received 4,723 points out of a possible 5,500 points.**This project ranked 4th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The combined water and wastewater rates charged to households would be 242% of the target rate with TSEP Assistance which indicates an extreme affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

The City has a major deficiency which could impact the City's water supply as identified in the Project Summary on the preceding page. The DOC review engineer stated that the lack of a central sewer collection system in the proposed project area is considered to be a serious deficiency. Many of the existing onsite wastewater treatment systems in the area do not meet current regulations. Site and property limitations preclude replacement of systems should they fail. The concern with the existing systems is that many are not providing proper treatment, a situation that is exacerbated by the presence of coarse grained soils and shallow groundwater. The potential for contamination of the aquifer due to these onsite systems is existing, well documented and will continue until such time all onsite systems are eliminated and cleaned up. The situation will likely become more chronic as time continues, particularly as existing onsite systems continue to fail. The EPA has designated the City's water supply as a sole source aquifer. However, a state or federal mandate has not been issued. The City is trying to address the problem before a mandate is issued.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that the application documented a serious threat to the health and safety of the citizens of the Missoula Valley. Although a state or federal court order, directive or mandate has not yet been issued, the problem is real and must be addressed before it reaches a point that it cannot. The City of Missoula is being proactive rather than reactive which should be commended. This project should help significantly in addressing the problem although the City's efforts cannot stop here.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 5, 800 Points

The DOC review engineer stated that the proposed project is well planned and appears to have sufficient budget to be completed as laid out. Several collection system alternatives were evaluated and the most cost effective and appropriate alternative for sewerage in the valley has been proposed. The DOC review engineers gave this application the highest possible score because the analysis was exceptionally complete and well done.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 5, 700 Points**

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The City has a serious health threat that would be partly corrected by this project, and TSEP participation is critical to enable this project to proceed.

The Applicant stated that the City has made several long-term commitments to provide public facilities that are adequate and cost effective. Initiatives discussed by the Applicant include: an annual updating of the city strategic plan, conducting an annual needs assessment meeting, and holding public city/county growth management meetings. The Applicant addressed additional efforts being taken to protect the groundwater in Missoula Valley. These efforts include: a CIP that addresses the proposed project and other wastewater projects, and a project area service plan that addresses the construction of wastewater mains in the project area. The proposed project is the top priority in the CIP for wastewater projects.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 543 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$19,029
% persons at or below LMI	52%
% persons at or below poverty	21.3%

The analysis for this applicant shows that the:

- median household income is 13th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 9th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 8th out of the 41 applications.

Household Economic Condition Analysis Ranking: 10th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$41.65	133%
Monthly Rate With No Assistance	\$76.20	243%
Monthly Rate With Assistance	\$76.07	242%

Target Rate Analysis Ranking: 1st in the field of 41 applications.

Overall Competitive Ranking: 4th in the field of 41 applications = 543 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SID/SRF(for mains)	Loan	\$2,474,500	SRF Applied/No Decision
SID/SRF(for service stubs)	Loan	\$220,350	SRF Applied/No Decision
Missoula Water Quality District	Grant	\$150,000	Committed
City Funds/Rev. Bonds	Revenue Bond/City Bond	\$1,770,257	Committed
Total		\$4,715,107	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant adequately evaluated all reasonable funding sources and is applying to those programs for which it is eligible. The Applicant stated that the City is currently ineligible to receive CDBG and RD funding.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 200% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that since there is no sewer system in the project area, the development of high density commercial properties is limited. The Applicant also stated the proposed project is fundamental for economic development and will provide opportunities for business development and job creation.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that the extension of the sewer system will not directly benefit a specific business expansion.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the new sewer system will facilitate commercial, businesses and housing development, and that this project will support overall expansion of the private property tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant stated that the proposed project area has been recently annexed into the City. The Applicant provided a history of the public participation in the area annexed. The citizens of the area

annexed demanded that the City undergo an extensive public participation process prior to annexation. According to the documentation provided, the citizens of the annexed project area have been discussing financial assistance for sewer improvements since 1992. The Applicant stated that in 1992, the Reserve Area Review Group (ARG) was formed and comprised 30 residents and property owners. The ARG choose financial assistance for sewerage as the second priority of issues to be addressed during the annexation planning process. The Applicant stated that throughout the annexation planning process sewerage was a top priority for the ARG and its sewer subcommittee. The Applicant provided a series of East Reserve Area news letters, newspaper articles, legal notices, sign-in sheets for the last several neighborhood meetings, and the minutes of the neighborhood meetings. The letters of support provided in the application came mainly from federal, state, and local regulatory agencies. The most recent neighborhood meeting for the proposed project was held on May 6, 1998. There were over 121 persons in attendance at this meeting. The minutes provided were quite detailed in explaining the project funding and how each property owner will be affected. The minutes of the meeting did not document strong support for the project, however there were no adversarial comments made either. The proposed project is the top priority in the CIP for wastewater projects.

Environmental Impact

The Uniform Environmental Checklist was prepared by the city grants administrator. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 5****APPLICANT: CITY OF THOMPSON FALLS****Type of Project: Water System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$1,202,085 RD Grant
		\$ 469,215 RD Loan
		\$ 400,000 CDBG Grant
		\$ 100,000 RRGL Grant
Total	<u>\$ 500,000</u>	\$2,171,300

Project Total: \$2,671,300

Percent Matching Funds:	81%	Existing Combined Monthly Rate:	\$54.18
Population:	1,600	Target Combined Monthly Rate:	\$32.44
Number of Households:	594	Monthly Rate With No Assistance:	\$63.02
Number of Total Hookups:	667	Monthly Rate With TSEP Funding:	\$59.51
Median Household Income:	\$19,659	Variance From Target Rate:	183%
Existing Monthly Water Rate:	\$22.61		
Existing Monthly Wastewater Rate:	\$31.57		

Project Summary:

Problem - The City's water system has several deficiencies including:

1. an DEQ directive to filter the surface water source,
2. well number two has elevated levels of iron and manganese,
3. inadequate water pressure and fire flows due to undersized water mains and lack of looping, and
4. distribution system has excessive water loss

Proposed Solution - The proposed project would install an intake structure at the spring, either redevelop well number two or construct a new well, evaluate the distribution system for leakage, and replace water mains to improve fire protection and reduce water loss.

This project received 4,543 points out of a possible 5,500 points.

This project ranked 6th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The combined water and wastewater rates charged to households would be 183% of the target rate with TSEP Assistance and 194% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There are several deficiencies in the City's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the Ashley Creek water supply problem, and the distribution system fire flow and pressure problem, are well documented serious deficiencies that are likely to result in serious illness, injury or death. DEQ has issued a boil order for water quality concerns with the Ashley Creek water supply. The State Fire Marshall has reviewed the level of fire protection provided in the City and has documented noncompliance with the Uniform Fire Code for the downtown area, a retirement home and the high school, as well as expressing concern with the spacing and size of numerous fire hydrants. The taste and odor problem with well number two and distribution leakage problem are also well documented problems, but less serious deficiencies that are unlikely to result in serious illness or property damage. The distribution leakage problem may adversely impact the environment from a water conservation perspective.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that EPA drinking water standards have determined turbidity to be a health concern at levels lower than those being experienced in City's water supply from Ashley Creek. Turbidity can interfere with disinfection and bacteriological testing, and elevated levels are associated with increased levels of human pathogens such as giardia, cryptosporidium, and viruses. These pathogens cause serious illness and even death in some instances. The risk is sufficient enough for DEQ to issue a boil order and direct corrective action with regard to the Ashley Creek water supply. The lack of fire flows are likely to result in substantial property loss and could result in injury or death. Low pressures during fire flow events could result in property damage or serious illness due to possible backflow events. Letters from the State Fire Marshall and ISO have documented the seriousness of the fire flow deficiencies. The proposed improvements will enable the community to meet the requirements of these agencies.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that a detailed engineering analysis evaluated numerous alternatives. The analysis was reasonably thorough and the solutions adequately documented. The design proposed

represents an efficient, appropriate and cost effective solution. The project proposes to eliminate the Ashley Creek surface water supply by intercepting the water in springs higher in the Ashley Creek drainage. This will eliminate the need to provide filtration and will eliminate the public health hazard. The proposed springs are currently going through exhaustive groundwater under the influence of surface water testing and preliminary results look good. However, it is important to note that the testing is not complete and the system must be determined to be a true groundwater source before the problem is solved. The preliminary engineering analysis reasonably documented that the appropriate distribution system improvements are being proposed to address both the fire flow and distribution system leaking problems. The project proposes to replace 26 fire hydrants to address the inadequately sized and spaced hydrants in the community. A hydrogeologic study was performed to identify a backup well that provides better water quality than well number two.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 5, 700 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The City has a serious health threat that would be corrected by this project, and TSEP participation is very important to enable this project to proceed.

The Applicant stated that the City has an excellent record of actions that reflect concern for its citizen's health and safety. A newly updated comprehensive plan was included in the application. The plan listed locating a alternate water source for the community as the number one priority. The Applicant discussed the City's past planning efforts in keeping their water system operational and safe. Past planning efforts include a preliminary plan for water system expansion in 1975, a water system improvement plan in 1995, and a current water supply study. The Applicant stated that user charges have been raised to the highest reasonable amount. The City's water system is metered.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 443 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$19,659
% persons at or below LMI	39%
% persons at or below poverty	12.9%

- The analysis for this applicant shows that the:
- median household income is 16th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 22nd out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 22nd out of the 41 applications.

Household Economic Condition Analysis Ranking: 20th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$54.18	167%
Monthly Rate With No Assistance	\$63.02	194%
Monthly Rate With Assistance	\$59.51	183%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 16th in the field of 41 applications = 443 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES
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Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points
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FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
CDBG	Grant	\$400,000	Will Apply in 1999
RD	Grant	\$1,202,085	Applied/No Decision
RD	Loan	\$469,215	Applied/No Decision
RRGL	Grant	\$100,000	Applied/No Decision
Total		\$2,171,300	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant adequately evaluated all reasonable funding sources and is applying to those programs for which it is eligible. The Applicant stated that the City contacted the DNRC staff and they expressed interest in funding the proposed project. According to the RD staff, they are highly committed to helping fund the proposed project.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 150% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that local restaurants reported a drop in business during a recent boil order. The Applicant thinks that this is a trend that should be taken into consideration, especially since the area is so economically depressed.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated there are no known business expansions dependent on this project. However, as a result of the boil order last year a regional swim meet scheduled in Thompson Falls was canceled. The Applicant feels this had some economic impact on the community as a result of the poor water quality.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that without a healthy and adequate water supply the community will quickly begin to die. According to the Applicant, an adequate and quality water supply will not only allow the City to maintain its current tax base but possibly allow it to expand. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting. While the Applicant documented other efforts to elicit support for the proposed project, it was not adequately documented that the Applicant informed the public of the estimated cost per household.

The Applicant explained that the City began an education campaign to explain the water quality problems to the public. The Applicant stated that during the spring of 1998, the City Clerk and Department Head Assistant went to seven different groups in the City, and gave a presentation on the proposed project based on the water quality engineering report. The Applicant believes that the effort to inform the community resulted in an above average response to the community needs assessment survey sent out on April 23, 1998. Out of 550 surveys distributed, 258 or 47%, were returned. The survey indicated that water quality was priority number two next to street maintenance. This survey helped the community leaders in updating the comprehensive plan. The Applicant provided minutes of city council meetings over the past year when water quality compliance issues were discussed. The Applicant also provided newspaper clippings and sign-in sheets for some of the meetings. The February 9 minutes indicated a public hearing was scheduled for February 23, to explain the different options for resolving the water quality problems. Because of the community outreach by the City staff and newspaper clippings provided in the application, it appears as though the public was informed of the project and given the opportunity to comment on the proposed project. However, the Applicant did not provide the minutes or other documentation of the public hearing on February 23. In addition, the application did not include any documentation that would indicate that the public was informed of the proposed rate increases. This statutory priority would have been scored higher if the February meeting had been adequately documented to show that the public was informed of the proposed rate increases.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. The DOC review engineer stated that some temporary adverse impact can be expected during the construction of the springs and pipelines. In particular wetlands could be disturbed. All appropriate permit requirements have been identified and would be pursued to ensure all environmental impacts are mitigated. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 6****APPLICANT: TOWN OF PHILIPSBURG****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$121,900 Grant	\$400,000 CDBG Grant
		\$107,353 SRF Loan
Total	\$121,900	\$507,353

Project Total: \$629,253

Percent Matching Funds:	81%	Existing Combined Monthly Rate:	\$33.05
Population:	925	Target Combined Monthly Rate:	\$24.21
Number of Households:	495	Monthly Rate With No Assistance:	\$40.43
Number of Total Hookups:	568	Monthly Rate With TSEP Funding:	\$38.80
Median Household Income:	\$14,673	Variance From Target Rate:	160%
Existing Monthly Water Rate:	\$19.11		
Existing Monthly Wastewater Rate:	\$10.94		

Project Summary:

Problem - The Town's only water source, Fred Burr Lake, has highly corrosive water which results in high levels of both lead and copper in the water distribution system, in violation of the EPA Lead and Copper Rule.

Proposed Solution - The Town proposes to develop a well to blend groundwater with the water from Fred Burr Lake in order to accomplish a reduction of lead and copper levels in the distribution system. In addition, the new groundwater well would also provide the Town with a backup water source, in the event the Fred Burr Lake water supply was interrupted or if the Town's waiver for filtration of a surface water supply is lost.

This project received 4,429 points out of a possible 5,500 points.**This project ranked 6th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: \$121,900**

1. The combined water and wastewater rates charged to households would be 160% of the target rate with TSEP Assistance and 167% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

The DOC review engineer stated that the Town's only water source, Fred Burr Lake, has highly corrosive water which results in high levels of both lead and copper in the water distribution system, in violation of the EPA Lead and Copper Rule (LCR). The elevated levels are due to the corrosive nature of the Town's water supply. The corrosiveness of the water and the related elevated levels of lead and copper in the water system is an existing problem. The problem will continue indefinitely unless corrective action is taken. According to the DOC review engineer, the public facilities problem seriously affects the public's health, safety and welfare of the community. Elevated levels of lead in the body can cause damage to the brain, kidneys, and red blood cells. Elevated levels of copper can be harmful to people with copper allergies and certain thyroid conditions. DEQ staff verified that a serious deficiency exists related to the LCR. The Town is not currently under an administrative order, however, DEQ has indicated that the Town will be issued an administrative order if it does not take action to bring its water system into compliance with the LCR. If the Town loses its water supply due to a dam failure or a break in the Fred Burr Lake transmission line, fire protection and the disposal of sanitary wastes would be compromised. The DOC review engineer stated that the Applicant should be commended because they are planning ahead to provide a back-up water source in the event the Fred Burr Lake water source is disrupted or lost.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that the Town is not currently under an administrative order. However, DEQ has indicated that the Town will be issued an administrative order if it does not take action to bring its water system into compliance with the EPA's LCR. LCR violations represents a significant threat to the public health and safety of the Philipsburg community, as noted in comments above for Statutory Priority #1. The elevated levels of lead and copper are due to the corrosive nature of the Town's water supply and have been documented in both the "Philipsburg Water System Improvements" report prepared by Robert Peccia & Associates prepared in 1998 and the "Philipsburg Desk-Top Corrosion Control Study" prepared by MSE-HKM in 1996.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the proposed system improvements and modifications are reasonable and represent an appropriate, cost-effective technical design that would provide a thorough, long-term solution to the identified public facility need. The DOC review engineer concluded that the proposed system improvements and modifications are reasonable and represent an efficient, appropriate design and construction approach to the Town's water distribution system related needs. The preliminary engineering report states that the groundwater augmentation option is not the least cost option available. The groundwater augmentation option is being proposed because the option will also provide a 200 to 300 gpm back-up water source. The DEQ has agreed with the Town's approach to the LCR violation problems and the back-up water source. The design and construction complexities of the proposed improvements to the existing water distribution system are complicated and will probably require

significant system adjustments during the first one or two years of the project. Chemical treatment may be implemented in the future if the ground water augmentation option does not adequately reduce the lead and copper levels within the water system.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The Town has an extremely serious public health problem that would be solved by the proposed project, and TSEP funds are extremely important to enable this project to proceed. This priority was not scored higher because the Applicant did not adequately demonstrate that the use of meters is technically or financially infeasible or inappropriate.

The Applicant appears to have made a long-term commitment to provide public facilities and services that are adequate and cost effective. It has completed several comprehensive public facilities studies including: a Wastewater Facilities Plan (1989), Water System Improvements (1989), Fred Burr Lake Dam Rehabilitation Plan (1998), Philipsburg Desk-Top Corrosion Control Study (1997), Water System Improvements for The Town of Philipsburg (1998), and most recently, a groundwater evaluation has been completed to determine the location of a test well for the groundwater augmentation alternative. In addition, the Town completed major improvements to both it's water and wastewater systems in 1993.

The Applicant chose not to install water meters. The Town's average water usage in gallons per day per capita (gpcd) is 335 gpcd while the national average is approximately 160 gpcd. The Applicant's engineering report estimates the cost to install 515 individual water meters to be \$211,250. The Applicant concluded that the installation of water meters was not economically feasible at this time. However, the DOC review engineer stated that the Applicant did not adequately demonstrate that the use of meters is technically or financially infeasible or inappropriate. In lieu of meter installation, the DOC review engineer recommends that the Town implement an extensive water conservation program to reduce the high water use.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 429 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$14,673
% persons at or below LMI	56%
% persons at or below poverty	23.9%

- The analysis for this applicant shows that the:
- median household income is 2nd out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 7th out of the 41 applications;

- relative concentration of persons living at or below the poverty level is 6th out of the 41 applications.

Household Economic Condition Analysis Ranking: 4th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$33.05	137%
Monthly Rate With No Assistance	\$40.43	167%
Monthly Rate With Assistance	\$38.80	160%

In addition to the proposed TSEP project, the Applicant's water rates will be impacted by a project now under construction to correct seepage around the outlet pipe and spillway at the Town's only water source, Fred Burr Lake Dam, which could otherwise cause the dam to fail or the outlet pipe to collapse. The Town is using DNRC funding to install a new outlet and drainage pipe at Fred Burr Lake Dam and rip rap the entire downstream dam face.

The Town's existing average water rate is \$19.11 which is well above the DOC target water rate of \$15.41. The current average sewer rate is \$10.94 which is also above the target rate of \$8.80. With the funding package of a recently awarded CDBG grant, a TSEP grant, and an SRF loan, the proposed improvements would raise the combined residential water and sewer rates to a total monthly rate of \$38.80, which is 160% of the DOC target rate.

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 17th in the field of 41 applications = 429 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
CDBG	Grant	\$400,000	Awarded August 1998
SRF	Loan	\$107,353	Applied/Funding Likely
Total		\$507,353	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from most appropriate sources to assist in financing the proposed project. A financial plan for the DNRC project now under construction, and the proposed TSEP

water system project, was presented in the preliminary engineering report. The Town is on the priority list for SRF funding. The Town applied for both CDBG and TSEP grants. The CDBG grant application was the top ranked application of fifteen and received a CDBG award in August 1998. The SRF program has made a commitment of SRF funds to the project. The local bank was also contacted, but the financing package offered was not cost effective when compared to SRF rates. RD funding was considered, but not applied for because of the RD requirement for water meters. The Applicant chose not to install water meters.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees approximately 150% of target.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that if the project is not undertaken, jobs could be lost. If the Town cannot provide a safe and reliable drinking water source, it may be difficult for some of the community's existing businesses to stay viable particularly since most rely on tourism. This is especially true of food service related businesses. Lack of a safe water supply may deter tourists from visiting the Town. New businesses may shy away from the community if it cannot address it's water system problems. The Applicant stressed that proposed water system improvements will definitely be a major factor in retaining long term, full time jobs in Philipsburg.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

See comments above for Statutory Priority #7.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

As discussed under priority #7, the Applicant argues that it is important for the Town to be able to provide a safe drinking water source to support the local economy. If safe drinking water cannot be provided existing residents may move away and potential newcomers will be discouraged from moving into the community. Safe and reliable public utilities are necessary to promote growth in a community. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

Two public hearings were held to discuss the project and to meet the requirements of the CDBG program. TSEP funding was also discussed at these hearings. Minutes and agendas from the hearings were included in the application. A community needs assessment survey was also completed to obtain public input. A copy of the community needs assessment and survey results were also included in the application. The attendees of the first public hearing were polled and the majority felt that the water system problems were the Town's number one need. The results of the community needs assessment also show that the water system is one of the top needs of the community. The community has also demonstrated long-term support through increases in user fees and the implementation of reserve accounts for past projects. The Applicant provided documentation that local citizens and affected property owners were informed at the second public hearing of the estimated cost per household that would result from the proposed project and they are in support of the project. The Town has assessed its public facility needs, established priorities for dealing with them through a CIP, and the proposed TSEP project is a high priority of that plan or program. A draft CIP will be reviewed and adopted by the Town Council in the near future. A copy of the draft CIP was included with the grant application. The proposed water system improvements have been given high priority in both the preliminary engineering report and the Town's CIP.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 7****APPLICANT: TOWN OF EKALAKA****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 87,200 Grant	\$65,400 RD Grant
		\$21,800 RD Loan
		<u>\$ 4,000 Town</u>
Total	<u>\$ 87,200</u>	\$91,200

Project Total: \$178,400

Percent Matching Funds:	51%	Existing Combined Monthly Rate:	\$47.00
Population:	550	Target Combined Monthly Rate:	\$25.07
Number of Households:	198	Monthly Rate With No Assistance:	\$51.47
Number of Total Hookups:	242	Monthly Rate With TSEP Funding:	\$49.00
Median Household Income:	\$15,192	Variance From Target Rate:	195%
Existing Monthly Water Rate:	\$35.00		
Existing Monthly Wastewater Rate:	\$12.00		

Project Summary:**Problem** - The Town's wastewater collection system has two main deficiencies including:

1. a shallow sewer main over a culvert pipe that freezes, resulting in raw sewage backing up into residential basements, and
2. a section of sewer main that is very flat and has displaced joints that results in plugging, and raw sewage backing up into residential basements.

Proposed Solution - The proposed project would replace 1,872 feet of sewer main.**This project received 4,250 points out of a possible 5,500 points.****This project ranked 7th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: \$87,200**

1. The combined water and wastewater rates charged to households would be 195% of the target rate with TSEP Assistance and 205% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

DOC RECOMMENDED CONDITIONS FOR THIS PROJECT: The Town is currently out of compliance for administration of loan requirements for RD and DNRC. As part of the TSEP start up conditions, the Town would be required to provide documentation that they have corrected their loan requirements for RD and DNRC.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There are several deficiencies in the Town's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that both problems to be addressed must be considered a potential public health and safety hazard, and results in substantial property damage. The problem is exacerbated by the limited financial resources that the Town has, resulting in the exposure of the clerk and high school students to unsafe conditions when these individuals are involved in cleanup of local residences. Additionally, ongoing maintenance to prevent recurrent plugging further depletes the Town's budget for O&M. The problem is ongoing and affects a significant number of the community's residents and is considered serious.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that the current situation with the backups of raw sewage into individuals basements violates state and local public health standards. Damage to residences resulting from sewage overflows expose the Town to legal lawsuits. No formal enforcement action has been initiated by the regulatory agencies. The problem which occurs on an periodic basis, poses a serious threat to public health and safety to those exposed individuals.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 5, 800 Points

The DOC review engineer stated that the proposed project adequately addresses the pertinent technical, environmental and administrative issues. The alternative selected for construction was the most cost-effective and will provide the community with a simple solution to a troublesome problem, significantly reducing O&M requirements. The project will completely solve the problem. The DOC review engineers gave this application the highest possible score because the analysis was exceptionally complete and well done.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The Town has a serious public health threat that would be corrected by this

project. However, the Town provided weak documentation to demonstrate that TSEP funds are important to enable the project to proceed.

The Applicant stated that the Town has a long-term commitment to comprehensive planning and financing of the sewer system. In 1988, the Town reconstructed the sewer treatment facility and primary lift station. The Applicant stated that the proposed project is listed on the Town's CIP. The Applicant did not provide a copy of their CIP in the application to verify the proposed projects order of priority. The Applicant stated that sewer rates have increased 243% and 675% for residential and commercial users respectively over the past ten years. The Applicant did not provide documentation of what their past sewer user rates were in relationship to the statement above to show how dramatic the 243% increase has been. The Town may have serious problems in obtaining additional funding for the proposed project. According to representatives from DNRC and RD, the Town is out of compliance for administering their current loans with both programs. The Town has not implemented a rate structure that provides adequate income to pay O & M, debt payment, reserve requirements, and fund depreciation. The DNRC and RD representatives stated, until these administrative deficiencies are corrected the Town would be ineligible for any additional loans.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 490 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$15,192
% persons at or below LMI	57%
% persons at or below poverty	17.20%

The analysis for this applicant shows that the:

- median household income is 4th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 5th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 12th out of the 41 applications.

Household Economic Condition Analysis Ranking: 6th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$47 00	187%
Monthly Rate With No Assistance	\$51 47	205%

Monthly Rate With Assistance	\$49.00	195%
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Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 10th in the field of 41 applications = 490 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 2, 200 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RD	Grant	\$65,400	Applied/No Decision
RD	Loan	\$21,800	Applied/No Decision
Town	Reserves	\$4,000	Committed
Total		\$91,200	

The Applicant weakly demonstrated that TSEP funds are necessary to enable the local governments to obtain funds from other sources or to enable the project to proceed. The Applicant documented limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant did not provide any detail as to why other funding sources are not being pursued, except that they believe that TSEP and RD funding is most appropriate for the proposed project.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that the nature of this project will not provide any long-term job opportunities.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that this statutory priority is not applicable. There was no discussion of businesses that would be created or expanded as a result of this project.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the infrastructure improvements have the potential to enhance and encourage both residential and commercial growth on the edge of town. Any additional connections will expand the private property tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 2, 40 Points

The Applicant weakly demonstrated that the proposed project is a high priority and has strong community support. Even though the Applicant held at least one public hearing or meeting, it did not provide any, or provided inadequate, documentation that it informed the public about the estimated costs of the project and the impact per household.

The Applicant stated that a public meeting was conducted on the proposed project, which included a presentation on the TSEP program. However, there was no documentation of this meeting showing the time, date, or participants present. The Applicant stated there was strong public support for this application. According to the Applicant, residents have been informed that a sewer rate increase will be needed in the near future. The amount of increase had not been determined, but would be finalized when funding packages for the project are arranged and approved. The Applicant stated that the proposed project is listed in the Town's CIP. The Applicant did not provide a copy of their CIP to document the level of priority of the proposed project.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 8****APPLICANT: RAE WATER & SEWER DISTRICT, GALLATIN COUNTY****Type of Project:** Wastewater Treatment System

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$500,000 Grant	\$ 10,000 District
		\$200,000 CDBG Grant
		\$100,000 RRGL Grant
		<u>\$161,700 RD Loan</u>
Total	<u>\$500,000</u>	\$471,700

Project Total: \$971,700

Percent Matching Funds:	49%	Existing Combined Monthly Rate:	\$67.98
Population:	643	Target Combined Monthly Rate:	\$43.62
Number of Households:	270	Monthly Rate With No Assistance:	\$79.08
Number of Hookups:	278	Monthly Rate With TSEP Funding:	\$71.73
Median Household Income:	\$26,437	Variance From Target Rate:	164%
Existing Monthly Water Rate:	Combined		
Existing Monthly Wastewater Rate:	Combined		

Project Summary:

Problem - The District has nowhere to discharge its wastewater effluent and it has excessive leakage from its lagoons.

Proposed Solution - The proposed project would construct a sequencing batch reactor (SBR) treatment system, with treated water discharged directly to groundwater.

This project received 4,235 points out of a possible 5,500 points.**This project ranked 8th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$485,850

1. The combined water and wastewater rates charged to households would be 164% of the target rate with TSEP Assistance and 181% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The Applicant is proposing to provide only 49% matching funds versus the 50% matching funds required by the TSEP Application Guidelines. The Applicant did not provide any justification for the reduced match. The Applicant does not meet one of the three criteria necessary for a reduced match, since the combined user rates are less than 200% of the combined target rate. As a result, if this project is funded the amount of TSEP funds awarded should not exceed one half of the total projected costs for this project, for a total of \$485,850.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There are several deficiencies in the District's wastewater treatment and collection system as identified in the Project Summary on the preceding page. The DOC review engineer stated that serious circumstances clearly attributable to the leaking lagoons has occurred in the form of environmental pollution and serious health risks, the problem is existing, continual and chronic. The District currently ranks #5 on the DEQ's project priority list which seeks to identify and prioritize current environmental contamination and health risks across the state, and is subject to a formal enforcement action. The District has exerted significant effort to bring their system into compliance, including three previous facilities planning documents, numerous meetings with DEQ, and negotiations with their spray-irrigation site landowner.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated that the proposed project is necessary to comply with the DEQ Administrative Order - Docket # WQ-96-02. There is clear documentation that the existing facility is leaking to an extent well beyond that which is allowed under WQB-2 design standards. Cells #1 and #2 leak an estimated 45" per year, and cell #3 leaks approximately 912" per year. The standard allows for 6" per year. The leakage has resulted in measurable contamination of the underdrain ditch that flows through the District, and the contamination represents a significant public health threat.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the proposed improvements will provide a complete and long-term solution to the Applicant's leaking lagoon and disposal problems. The Applicant has considered all

reasonable alternatives and has determined that the recommended alternative is the most cost-effective. One concern is the use of a high-maintenance, operator intensive mechanical treatment technology in a small Montana community. Other attempts have, for the most part, resulted in eventual permit violations and system abandonment prior to those facilities reaching their design life. The SBR technology has not been proven to work in Montana. This is particularly important since this facility will have to meet state non-degradation requirements for nitrogen discharge to groundwater. However, the review engineer acknowledges that the District has limited alternatives available for addressing the disposal problems.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The District has an extremely serious public health threat that would be corrected by this project, and TSEP participation is important to enable this project to proceed.

The Applicant did not discuss any prior infrastructure planning that took place prior to the proposed project. The Applicant developed a CIP in March of 1998 that focuses only on the sewer and water systems in the District. Rather than a true CIP it appears to be a implementation and funding schedule for the proposed wastewater project. The Application stated that water meters will be installed in 1998 and that a water system study will be conducted in the year 2001.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 315 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$26,437
% persons at or below LMI	26%
% persons at or below poverty	7.3%

The analysis for this applicant shows that the:

- median household income is 37th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 39th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 39th out of the 41 applications

Household Economic Condition Analysis Ranking: 39th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$67.98	156%
Monthly Rate With No Assistance	\$79.08	181%
Monthly Rate With Assistance	\$71.73	164%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 28th in the field of 41 applications = 315 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES
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Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points
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FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
District	Cash	\$10,000	Committed
RRGL	Grant	\$100,000	Applied/Waiting Decision
RD	Loan	\$161,700	Applied/Waiting Decision
CDBG	Grant	\$200,000	Will apply in 1999
Total		\$471,700	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. All appropriate funding sources were discussed and reasonable justifications were provided for not utilizing the other funding sources. The CDBG funds must be applied for by the County. The Applicant discussed applying for CDBG funds in 1999.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 150% or greater of target rate.

The Applicant is proposing to provide only 49% matching funds versus the 50% matching funds required by the TSEP Application Guidelines. The Applicant did not provide any justification for the reduced match. The Applicant does not meet one of the three criteria necessary for a reduced match, since the combined user rates are less than 200% of the combined target rate. As a result, if this project is funded the amount of TSEP funds awarded should not exceed one half of the projected total costs for this project, for a total of \$485,850.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that a developer wants to build a 40,000 square foot retail shopping mall in the District. The developer stated in his letter of support for the project that the building would cost between \$1.5-\$2 million, thus increasing the tax base plus create 20 to 30 new retail jobs. In the 1994 Gallatin County Needs Assessment Survey, it was determined that the greatest barrier to business and industrial development was land and water availability. The Applicant stated that no growth can occur in the District until the wastewater system is corrected.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

See comments in Statutory Priority #7 regarding the development of a 40,000 square foot retail shopping mall in the District. There was a letter of support provided by the developer, however, it appears that this development is still speculative.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that currently it cannot allow additional hook-ups; this keeps the residential area from expanding and limits commercial expansion. The principle tax base growth that could result from this project is the commercial retail shopping mall development that would be able to proceed when the proposed project is complete. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Applicant stated that the District held one public hearing on April 22, 1998. The Applicant provided the minutes, a legal notice advertising the hearing, and a sign-in roster. The hearing was held in the evening. It appears that the only persons present at the meeting were the board members and the design engineers. The minutes did not indicate that there was any discussion of rate increases for property owners, however, the agenda of the hearing did provide what the minimum user rate increase would be. The Applicant provided several newspaper articles describing the District's sewer lagoon problems. The Applicant also provided a letter of support from a developer that wants to construct a 40,000 square foot facility in the district for retail business. The District conducted a needs assessment survey during October-November, 1992. The repair of the sewer lagoons ranked as the number one priority.

Environmental Impact

The Uniform Environmental Checklist was prepared by project consultant. The DOC review engineer stated that it appears that the Applicant did a marginally adequate assessment of the potential environmental impacts for this project, and based on that assessment no adverse long-term environmental impacts are anticipated as a result of this project. The DOC review engineer stated there would be potential impacts if the facility is not properly operated and maintained.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 9****APPLICANT: CITY OF BIG TIMBER****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 400,000 CDBG Grant
		\$ 100,000 RRGL Grant
		\$ 102,388 City
		\$ 693,887 SRF Loan
Total	\$ 500,000	\$1,296,275

Project Total: \$1,796,275

Percent Matching Funds:	72%	Existing Combined Monthly Rate:	\$38.32
Population:	1,568	Target Combined Monthly Rate:	\$29.91
Number of Households:	789	Monthly Rate With No Assistance:	\$54.96
Number of Total Hookups:	861	Monthly Rate With TSEP Funding:	\$50.96
Median Household Income:	\$18,125	Variance From Target Rate:	170%
Existing Monthly Water Rate:	\$24.12		
Existing Monthly Wastewater Rate:	\$14.20		

Project Summary:

Problem - The City's wastewater system has several deficiencies including:

1. the sewage lagoon is severely leaking (70% leakage),
2. high nitrates in an observation well,
3. the lagoon's aeration system is inadequate and cannot properly treat the wastewater,
4. deteriorated sewage collection pipes, and
5. three violations of the discharge permit for excessive biochemical oxygen demand (BOD) and total suspended solids (TSS) prior to 1995, and ten additional violations since 1995.

Proposed Solution - The proposed project would construct a new 3-cell aerated lagoon, with new hydraulic structures, and a new synthetic lagoon liner. The project also includes constructing lift stations to state standards and setting priorities for replacement of sewer lines.

This project received 4,214 points out of a possible 5,500 points.

This project ranked 9th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The combined water and wastewater rates charged to households would be 170% of the target rate with TSEP Assistance and 184% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the City's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that leakage of wastewater from the existing lagoon is contaminating underlying groundwater as well as limiting the treatment performance of the overall lagoon system. A groundwater monitoring well located near the lagoons has shown elevated levels of nitrates, a regulated pollutant commonly found in wastewater. The aeration system in the existing lagoon is inadequate and not capable of transferring adequate oxygen to treat the wastewater, resulting in a trend of increasing discharge permit violations. The curtain system used to simulate dikes in the existing lagoon has failed in certain areas further limiting the treatment potential of the lagoon system. A poorly performing wastewater treatment system, serving the entire community, must be considered as a significant deficiency in a basic facility. The lagoon system poses a threat to public health due to groundwater degradation that is occurring and may be creating adverse impacts to surface water quality due to reduced treatment levels. The system leaks an estimated 70% of the flow to the lagoon. The problem is continual and potentially affects all of the community residents. Although no formal state enforcement action has yet occurred, the MEDQ supports this project.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated that the existing system cannot meet current design standards, is adversely affecting groundwater, and periodically violates surface water effluent standards established by the state MPDES discharge permit. A potential threat to the public health and safety exists and the estimated volume of wastewater that leaks from the lagoon is significant. The DEQ has not initiated any formal enforcement action to date. The DOC engineer stated this is an "enforceable" situation.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that the recommended alternative will provide a good long-term solution for the community's wastewater needs and appears to be the appropriate choice of the various alternatives evaluated. It appears that adequate costs are provided for in the overall project budget to build the facility. The selected alternative should be relatively easy to implement in comparison to other alternatives. The system should meet current and anticipated load limits, excluding the potential impacts

of a large mine development which is being considered. However, the cost-effective analysis used in the engineering study is questionable, values which led to an overall concern for the conclusions of the present worth analysis.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The City has an above average health threat that would be corrected by the proposed project, and TSEP participation is extremely important to enable the project to proceed.

The Applicant stated that the City adopted a ten year CIP in March of 1998, and raised its water and sewer rates to insure that the improvements can be carried out. The application only contained a sewer related CIP, not a comprehensive CIP. The Applicant did not discuss whether the City has a comprehensive CIP (e.g. water, sewer, streets). A statement in the application appears to suggest that the City may have a water related CIP, but the Applicant was not clear on this point and there was no water master plan or water related CIP included in the application. In addition to the TSEP proposal for the sewer system, the City is currently working on addressing problems with its water system. The Applicant stated that the City has wastewater rates in place for continuation of the 10-year sewer related CIP and associated capital improvements while maintaining its operation and maintenance budget of \$100,000 per year. The application contained resolutions documenting three sewer rate increases. The existing rates provide roughly \$100,000 per year for additional capital improvements. Construction of future major trunk lines will be financed largely by private developer contributions. The Applicant stated that the City is planning ahead for population growth. The City participated in the development of a hard rock mining impact plan, and wastewater system planning for the City was part of the impact plan. When population growth exceeds 25%, new state regulations on nondegradation of water would be imposed for the additional wastewater flows. The City requires all new development to have water meters, however, the City does not require all existing water services to have water meters. The Applicant said that by repairing the sewer system the City will be better able to encourage new growth to locate within the City limits. The project may also discourage the development of new subdivisions with their own separate treatment systems, from developing in the county which would create a fiscal burden for subdivision residents, burdens on the state regulatory agencies, and the potential for environmental damage.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 454 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$18,125
% persons at or below LMI	43%
% persons at or below poverty	12.4%

The analysis for this applicant shows that the:

- median household income is 9th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 17th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 24th out of the 41 applications.

Household Economic Condition Analysis Ranking: 13th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$38.32	128%
Monthly Rate With No Assistance	\$54.96	184%
Monthly Rate With Assistance	\$50.96	170%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 15th in the field of 41 applications = 454 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
City	Cash, Enterprise fund	\$102,388	Committed, On Hand
SRF	Loan	\$693,887	Applied/No Decision
RRGL	Grant	\$100,000	Applied/No Decision
CDBG	Grant	\$400,000	Will Apply in 1999
Total		\$1,296,275	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the

proposed project. The Applicant did make efforts to seek out, analyze, and secure alternative or additional funds. The City's first application to TSEP in 1996 proposed funding from RD and the EDA. The Applicant states that the City's research since 1996 indicates that the City would not be eligible for RD funds because water meters would not be installed on all water hook-ups (an RD requirement). The EDA funds could only be used to match costs for businesses associated with the mine development, and the spinoff businesses have not yet been identified since the mine has not yet been developed. The Applicant stated that due to EDA policy, the EDA funds are not available at this time because the businesses are not identified. The Applicant discussed the potential to use EDA funds for hooking businesses onto the sewer and for the construction of trunk lines and treatment when the businesses are ready to develop or expand. The City also considered the use of Hard Rock Mine Impact funds, but stated that those funds would not be available in time for the proposed wastewater system improvements (see the Applicant's response under Statutory Priority #9). It appears that the City investigated and analyzed all common sources of matching funds. Only the City's cash (\$102,388) is firmly committed. The Applicant said that they expect the commitment letter for the SRF loan "soon," but also stated that SRF has issued a "letter of general commitment." The SRF application was submitted by the City on May 4, 1998. The City will apply for the CDBG grant in May of 1999.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 150% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 4, 320 Points

The proposed project would likely provide specific long-term, full-time job opportunities for Montanans, in addition to, those related to the construction or operation of the wastewater system. However, the Applicant did not provide specific documentation clearly detailing any business operations that would verify the creation or retention of any long-term, full-time jobs, due to the wastewater system upgrade.

The Applicant stated that growth is expected in the near future, with the expansion of the Stillwater Mine's East Boulder mine. The Applicant said that the commercial growth, and associated residential growth, cannot take place without the improvements to the City's wastewater system. The Applicant said that the proposed wastewater improvements in the TSEP project would allow a population increase of about 500 persons in the City. Upgrading the wastewater system would help the City accommodate the population growth anticipated due to mine development. The East Boulder Mining Impact Plan states that the mine anticipates an increase of 600 direct jobs and 50 indirect jobs. However, the Applicant did not document that the proposed wastewater improvements would directly assist the mine to develop and directly result in the creation of the mining jobs and the related indirect jobs. The Applicant also did not document that the lack of the wastewater improvements would prevent the mine from expanding or prevent the creation of direct and indirect mining jobs. The Applicant stated that 50 support jobs projected to be created cannot occur without improvements to the existing wastewater system because of its continual violations of its discharge permit. However, there was no specific documentation, such as letters from business owners, stating that the creation of the indirect jobs were dependent on the proposed TSEP wastewater improvement project.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 4, 240 Points**

The proposed project would provide public facilities necessary for the possible expansion of businesses that have a high potential for financial success. The Applicant mentioned a specific business that would be dependent on the proposed improvements being made. However, the Applicant did not provide specific documentation detailing any business plans that would clearly verify that the proposed project would be necessary for the expansion of a business that has a high potential for financial success.

The Applicant stated that the 50 support jobs projected to be created cannot occur without the improvements to the existing wastewater system because of its continual violations of its discharge permit. The application did not include any written expansion plans for any businesses in Big Timber or a business expansion plan for the mining company. There were no letters or other explicit documentation in the application from businesses stating, that due to the inadequate City wastewater system, the businesses could not expand.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 4, 160 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The Applicant mentioned various specific businesses that have a critical need for the proposed improvements in order to expand or survive, that would increase the tax base. However, the Applicant did not provide specific documentation clearly detailing any business plans that would verify it's claim.

The Applicant stated that the wastewater project would greatly help the tax base of the City by allowing new growth that would be directly and indirectly related to mine development. The Applicant stated that new businesses within the City are anticipated to provide 50 new jobs. There was no clear total dollar estimate as to how much the tax base of the City might increase due to new development. A newspaper clipping in the application stated that officials estimate that an additional 250 residential units are possible on the "west end of Town" and another 100 units "across the Interstate." According to excerpts from the hard rock mining impact plan in the application, in-migrating mine employees will add residential property to the City's tax base. The plan stated that 80% of the mine's employees are projected to live in the City. The average taxable value for mine employee housing is projected to be \$1,200 per housing unit. The plan projects that commercial property will increase at a rate equal to 13% of new residential property.

The Applicant discussed the use of the private sector for funding the City's wastewater system. No appropriate private sector alternatives available at this time to fund this proposed TSEP project were identified. According to the impact plan, at such time when the impact population caused by the mine reaches 400 persons, or the total Big Timber population reaches 2,050, the mining company will provide funds to further improve the City's sewage system. For future improvements (not this project), the City's plan is to require contributions from contractors and the mine for future expansion of sewer trunk mains. The future private contributions, as listed in the sewer system CIP, would be \$700,000 in the year 2001, \$120,000 in the year 2003, and \$200,000 in the year 2004. It is estimated that the mine will contribute about \$1,000,000 in water and sewer impact fees to the City. Much of the one million dollars contributed by the mine will be needed for water system improvements. The Applicant stated that the City has not included any improvements in the proposed TSEP project which could be charged to developers or to the mine.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The City held a hearing in March of 1998 regarding the wastewater project and the TSEP application. Thirty eight people attended the hearing. The application contained the newspaper legal advertisement for the hearing, hearing agenda, and sign-in sheet. The Applicant stated that the rate increases associated with the TSEP project were fully discussed at the hearing. The agenda for the hearing stated that the "cost impact per user" was to be discussed. The minutes of the hearing stated that the wastewater system improvements were ranked as the third highest priority in a needs assessment survey. The Beartooth RC&D, working with the City, mailed a survey form to all 775 households in Big Timber and 425 households responded. There was one newspaper clipping regarding the TSEP wastewater project included in the application. Based on the needs assessment, the Applicant adopted a sewer system CIP in March of 1998. The Applicant did not state whether the City has also officially adopted a comprehensive CIP (water, streets, and wastewater). The Applicant stated that the sewer CIP identifies funding sources for ten years into the future. The TSEP project is the first priority project in the sewer related CIP.

Environmental Impact

The Uniform Environmental Checklist was prepared by a consulting engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 10****APPLICANT: CITY OF GLASGOW****Type of Project:** Wastewater System Improvements (Sewer/Storm Drainage Separation)

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 400,000 CDBG Grant
		\$ 100,000 RRGL Grant
		\$ 600,000 SRF Loan
Total	\$ 500,000	\$1,100,000

Project Total: \$1,600,000

Percent Matching Funds:	69%	Existing Combined Monthly Rate:	\$42.28
Population:	3,572	Target Combined Monthly Rate:	\$34.26
Number of Households	1,665	Monthly Rate With No Assistance:	\$46.47
Number of Total Hookups:	1,946	Monthly Rate With TSEP Funding:	\$44.51
Median Household Income:	\$20,766	Variance From Target Rate:	130%
Existing Monthly Water Rate:	\$30.08		
Existing Monthly Wastewater Rate:	\$12.20		

Project Summary:

Problem - The City's existing sanitary sewage collection system also serves as a storm drainage collection system for 270 acres of the City. During storm events, raw sewage backs up into basements of local residences and businesses and overflows into the Milk River.

Proposed Solution - Due to the scope of the problem, the new storm water management system, including new storm drains and storm water detention, is being constructed in two phases. The City has recently completed the first phase on the city's south side. The proposed TSEP project would construct approximately 11,000 LF of new storm drains and new retention basins serving the north side of Glasgow.

This project received 4,198 points out of a possible 5,500 points.**This project ranked 10th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: \$500,000**

1. The combined water and wastewater rates charged to households would be 130% of the target rate with TSEP Assistance and 136% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There is a major deficiency in the City's storm drainage and wastewater collection system as identified in the Project Summary above. The DOC review engineer stated that the public health hazards associated with sewage backing up into residences and the environmental pollution which occurs as the result of raw sewage overflowing into the Milk River constitutes a serious situation. Additionally, the property damage which has occurred must also be considered as a serious problem. Over the last 5 years, the sewage collection system has averaged 10 overflow events per year and caused thousands of dollars in property damage.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that clear documentation is provided substantiating that state and federal standards are being violated. No formal enforcement action has occurred. The proposed project provides a viable long-term solution to the community's storm water drainage needs. The property damage that has occurred in individual's homes represents a legal liability for the City for potential lawsuits for damages, and is a serious public health threat.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer state that the proposed project provides a cost-effective long term solution to the identified problem. The two detention ponds proposed to equalize storm flows must be designed and constructed to minimize risk to downstream inhabitants. The upper detention pond is located near an airport and may attract birds, generally not desired near aircraft. The ponds will only be full of water for during storm events or snow melt and may not serve as good bird habitat. The project engineer recently built the first phase of the storm drainage system and should have a very good estimate for project cost and construction complexities.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The City has an extremely serious public health problem that would be solved by the proposed project, and TSEP funds are important to enable this project to proceed.

The Applicant has demonstrated a long-term commitment to sound planning for its public facilities. The need for the separation of the combination sanitary and storm sewer system was first identified in the 1966 Glasgow "Comprehensive Master Plan." It is also listed as the number one priority in the City's

1997-2007 CIP. This project is the final phase of a two-phase project and will culminate a long-term community effort to resolve this serious problem. The City's water system is metered.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 298 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$20,766
% persons at or below LMI	39%
% persons at or below poverty	16.2%

The analysis for this applicant shows that the:

- median household income is 20th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 22nd out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 13th out of the 41 applications.

Household Economic Condition Analysis Ranking: 21st in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$42.28	123%
Monthly Rate With No Assistance	\$46.47	136%
Monthly Rate With Assistance	\$44.51	130%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 32nd in the field of 41 applications = 298 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
CDBG	Grant	\$400,000	Awarded August , 1998
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$600,000	Will Apply in Sept., 1998
Total		\$1,100,000	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are clearly important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant adequately evaluated all other funding options and is applying to all but one of the potential conventional financing options. The City would not be eligible for RD grant assistance and the RD loan rate would be higher than SRF's. With existing combined rates, the City does not have the financial capacity to borrow as much money from RD as they would require. DOC awarded a \$400,000 CDBG grant award for this project in August. The Applicant has applied to RRGL for a grant which must be approved by the 1999 Legislature. The SRF has strongly supported the project. INTERCAP has confirmed that, if necessary, interim financing is available.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater/storm drainage system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities.

The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system. The Applicant stated that short-term and long-term jobs will be created from the construction of the project and operating the system.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure

improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

According to the Applicant, this criterion is not applicable. No expansion of existing or start-up of a new business that has a high potential for financial success is contingent on provision of public facilities.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base and encourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the entire project area. The proposed improvements are clearly needed to maintain the taxable valuation of residential, commercial or industrial property.

According to the Applicant, completion of the sewer separation project will enhance the expansion of the tax base, since it will eliminate back-up of sewerage into residences. In addition, future development can occur without the threat of poor drainage and unsanitary conditions. Glasgow is expected to have a positive growth rate over the next 50 years and is a regional center for commerce, trade, medical and governmental operations. No appropriate private sector alternatives to this project were identified. The Applicant stated that as a municipal infrastructure improvement the project would not be appropriate for private management and operation.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The need for the separation of the combination sanitary and storm sewer system was first identified in the 1966 Glasgow "Comprehensive Master Plan." It is also listed as the number one priority in the City's 1997-2007 CIP. This project is the final phase of a two-phase project and will culminate a long-term community effort to resolve this serious problem. The project is also strongly supported by local and state public health agencies.

According to the Applicant, the selection of the proposed project resulted from numerous meetings with citizens regarding complaints of sewage backing up into their basements, requests from the City's municipal insurance carrier regarding the numerous claims being filed with regard to sewage backups, and a request from the DEQ to separate the storm sewer from the sanitary sewer in order to alleviate the discharge of raw sewage into the Milk River. At a public hearing held on April 6, 1998, the City Council reviewed TSEP requirements. The hearing included a presentation by the City's Public Works Director and grant writer who outlined the program guidelines for CDBG and TSEP. Local citizens discussed the various needs, goals and objectives of the community. The City Council, based on a majority consensus of the citizens in attendance, and the final tabulation of the community "needs assessment" survey for the project planning area, voted to submit an application for a sanitary sewer separation project. A second public hearing was held on April 20, 1998. The project engineer and the City Public Works Director reviewed the budget needed in order to accomplish the Phase II project.

According to the Applicant, every effort was made to provide for active participation in the development of the application. The needs assessment survey, required by CDBG, gave each household in the project area an opportunity to respond and individually identify community needs or concerns. The local newspaper and radio station covered all of the community events leading up to the submission of the application. Minutes from the most recent public hearings, radio broadcast records, newspaper articles, and letters of support were included in the application. According to the Applicant, estimated costs per household have been presented to the public in two public hearings, numerous radio broadcasts, and articles in the Glasgow Courier.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. In addition, DEQ has prepared a formal Environmental Assessment pursuant to both state and federal environmental requirements. DEQ issued a formal "Finding of No Significant Impact" on May 27, 1997. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

However, the DOC review engineer noted that the proposed upper storm water detention pond is located on property owned by the local airport authority. The attraction of birds to the area may pose an environmental hazard to the aircraft and the birds. Although the airport authority has indicated their support for this project, the safety implications of this proposed design should be carefully considered by city and airport officials before the project is constructed.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 11****APPLICANT: CORVALLIS SEWER DISTRICT, RAVALLI COUNTY****Type of Project: Wastewater System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 410,760	\$100,000 RRGL Grant
		\$233,380 SRF Loan
		\$254,860 CDBG Grant
		\$ 10,000 EPA Grant
		<u>\$ 25,250 INTERCAP Loan</u>
Total	\$ 410,760	\$623,490

Project Total: \$1,034,250

Percent Matching Funds:	60%	Existing Combined Monthly Rate:	N/A
Population:	678	Target Monthly Wastewater Rate:	\$9.58
Number of Households:	271	Monthly Rate With No Assistance:	\$29.47
Number of Total Hookups:	293	Monthly Rate With TSEP Funding:	\$19.72
Median Household Income:	\$15,972	Variance From Target Rate:	206%
Existing Monthly Water Rate:	N/A		
Existing Monthly Wastewater Rate:	\$9.73		

Project Summary:

Problem - The District's wastewater treatment facility has several deficiencies including:

1. facility is experiencing hydraulic and organic loadings significantly beyond its design potential,
2. accumulated solids in both treatment cells,
3. problems with aeration equipment,
4. facility is causing nitrate contamination in the groundwater, and
5. DEQ has informed Corvallis that continued exceedences in nitrate contamination could result in state enforcement.

Proposed Solution - The proposed project would replace the existing aeration system with static tube diffusers, increase the power of two blowers, remove accumulated sludge, construct an additional lagoon cell for treatment and storage, construct a wetlands for nitrogen removal and expand the I/P beds.

This project received 4,133 points out of a possible 5,500 points.**This project ranked 11th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$410,760

1. The wastewater rates charged to households would be 206% of the target rate with TSEP Assistance and 308% without, which indicates a serious affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the District's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that groundwater pollution has been documented in the application. Periodic exceedence of the drinking water standard has also been reasonably documented. The direct impact of the groundwater pollution is limited to a small area, however, broader non-point pollution impacts are claimed (Clark Fork River), but difficult to quantify. Overall, significant deficiencies with a municipal wastewater treatment facility have been reasonably documented and this represents an urgent and serious public health and environmental problem.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated the application clearly documents that a state drinking water standard is being violated due to inadequate wastewater treatment and state design standards are not satisfied by the current treatment facility. Enforcement action resulting in a groundwater discharge permit is likely if corrective action is not taken. However, the DOC review engineer also stated that there is some concern with the completeness of the proposed solution and its ability to enable the community to satisfy groundwater quality standards currently being exceeded.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that a detailed draft facility plan is in the process of being reviewed by DEQ. All reasonable alternatives have been investigated and properly evaluated. However, the DOC review engineer stated that questions remain regarding exactly how the groundwater permitting regulations would be applied to this project and this may affect the applicability of the proposed wetlands treatment system. The DOC review engineer expressed some concern that the proposed solution will not enable the community to solve all of its problems.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The District has a relatively serious public health threat and generally speaking, the proposed solution should solve the problem. TSEP participation is extremely important to enable this project to proceed.

The Applicant created a county water and sewer district and constructed the current collection and treatment system in 1981/82. The District generates sufficient revenue to satisfy principle and interest payments on their existing debt, pay for system operation and maintenance, and accumulate a reserve fund to handle emergencies. The District received an O & M award in 1993.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 573 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need

Indicator 1. Household Economic Condition Analysis:

MHI	\$15,972
% persons at or below LMI	56%
% persons at or below poverty	28.2%

The analysis for this applicant shows that the:

- median household income is 6th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 7th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 3rd out of the 41 applications.

Household Economic Condition Analysis Ranking: 5th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$9.73	102%
Monthly Rate With No Assistance	\$29.47	308%
Monthly Rate With Assistance	\$19.72	206%

Target Rate Analysis Ranking: 1st in the field of 41 applications.

Overall Competitive Ranking: 2nd in the field of 41 applications = 573 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES
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Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points
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FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$233,380	Letter of Intent from DEQ
CDBG	Grant	\$254,860	Will apply in 1999
EPA	Grant	\$ 10,000	Funds Committed
INTERCAP	Loan	\$ 25,250	Loan Papers Initiated
Total		\$623,490	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. All appropriate funding sources were discussed and reasonable explanations were provided for not utilizing RD funds. The design life of the project is twenty years, therefore the Applicant does not want to pursue a 40 year loan.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 200% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that the proposed project will allow the District to lift the current sewer hook-up moratorium which was self-imposed by the District's board in 1993. The Applicant also stated that the Bitterroot area is rapidly growing and businesses can be expected to locate in Corvallis if sewer service is available. The Applicant indicated that Corvallis is also a prime location to provide low cost housing. In the past, a proposal for a car-wash was denied since it was submitted after the hook-up moratorium was instituted.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant stated that the current moratorium on hook-ups has a negative affect on businesses planning to locate to the area or expand. A proposal for a car-wash was denied since it was submitted after the hook-up moratorium was instituted.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the construction of an adequate wastewater treatment facility may increase the value and resultant tax base of existing homes and businesses in the Corvallis area. Lifting the moratorium may attract new homes and businesses which could result in an expansion of the tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 2, 40 Points**

The Applicant weakly demonstrated that the proposed project is a high priority and has strong community support. Even though the Applicant held at least one public hearing or meeting, it provided inadequate documentation that it informed the public about the estimated costs of the project and the impact per household.

Twenty-five people attended a public meeting held by the District in February of 1998 to discuss the system's deficiencies, proposed solutions and funding alternatives. The Applicant stated that there was only speculative discussion on impacts to user rates. The Applicant stated that arrangements were being made for another public meeting to discuss project user rate impacts. The Applicant did not include documentation that the citizens had been clearly informed about the specific rate increase as a result of this project. No documentation relative to legal advertisements, public hearing minutes, etc. was provided by the Applicant. The Applicant stated that Ravalli County is in the process of developing a county-wide needs assessment which will include the sewer needs of Corvallis.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private engineering firm. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. The proposed improvements to the treatment plant will largely be completed within the area of the existing plant and will have no adverse impact on the environment. The project will encroach upon three acres of agricultural land directly north of the facility. The DOC review engineer stated that the proposed improvements will have a net positive impact on the environment by improving wastewater treatment and thereby reducing the documented groundwater contamination caused by the current treatment plant. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 12****APPLICANT: TOWN OF BOULDER****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 400,000 CDBG Grant
		\$ 100,000 RRGL Grant
		\$ 907,000 RRGL Loan
		\$ 10,000 Town
Total	<u>\$ 500,000</u>	<u>\$1,417,000</u>

Project Total: \$1,917,000

Percent Matching Funds:	74%	Existing Combined Monthly Rate:	\$17.22
Population:	1,450	Target Combined Monthly Rate:	\$33.88
Number of Households:	470	Monthly Rate With No Assistance:	\$35.92
Number of Total Hookups:	525	Monthly Rate With TSEP Funding:	\$28.72
Median Household Income:	\$20,536	Variance From Target Rate:	85%
Existing Monthly Water Rate:	\$12.50		
Existing Monthly Wastewater Rate:	\$4.72		

Project Summary:

Problem - The Town's water system has the following deficiencies:

1. drinking water exceeds the standards of the EPA Lead and Copper Rule,
2. deteriorated steel distribution mains lose 40% of the pumped water due to leakage, resulting in summer water shortages,
3. undersized distribution mains result in inadequate fire flows,
4. the system cannot accurately measure total water usage, and
5. dead end distribution mains.

Proposed Solution - The proposed project would install corrosion control treatment equipment at each well; replace approximately 30,000 feet of distribution main and gate valves, hydrants, fittings, and service lines; and install water meters at each well, so the Town can accurately measure the system's total usage.

This project received 4,029 points out of a possible 5,500 points.

This project ranked 12th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. Without the TSEP grant, the combined water and wastewater rates charged to households would be only 85% of the target rate, which does not, by itself, indicate an affordability problem for the ratepayers.
2. However, based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There are several serious deficiencies in the Town's water system as identified in the Project Summary on the preceding page. DOC review engineer stated that the Town's drinking water was found to be out of compliance with the EPA's Lead and Copper Rule (LCR) specifically related to copper in 1993 and continued to exceed the EPA's standard of 1.3 mg/l through 1995. DEQ verified the serious long term public health deficiencies related to LCR which exists in the Town's water system. In addition, the Town's water distribution system is undersized (4 inch and 6 inch mainline piping) and is unable to provide sufficient quantities of water for fire protection at the required minimum pressures (20 psi) recommended by the ISO. The Applicant estimates that approximately 40% of the well water pumped is lost through leakage and breaks in the piping system. The applicant documented 18 water leak repairs in 1996 and 25 in 1997. The Town feels that the antiquated 40+ year old tar paper-coated steel water mains are corroded to the point they represent a potential source of contamination. Several residential areas within the Town's existing water distribution system are not looped. The documented water distribution system problems seriously affect the public's health, safety and the general welfare of the community.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 5, 900 Points

The DOC review engineer stated that the water distribution system, while documented to be deficient under the standards of the EPA, DEQ, ISO and the Uniform Building Code, is not under a state or federal mandate to make the proposed improvements. According to DEQ, if the copper level is not lowered, an Administrative Order would be issued. The LCR violation represents a significant threat to the public health and safety of the Boulder community.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the proposed system improvements and modifications are reasonable and represent an efficient, appropriate and cost-effective design and construction approach to the Town's water distribution system. The Applicant did not discuss alternate options although there are several treatment methods available to reduce copper corrosion problems. However, DEQ agrees with the Town's proposed solution. The design and construction complexities of the proposed improvements

to the existing water distribution system are minimal. The water system improvements are proposed in phases and this project represents a reasonable component of the overall improvements program.

The Applicant chose not to install water meters. The Preliminary Engineering Analysis describes the Town's (average) water usage in gallons per day per capita (gpcd) as 470 gpcd. The national average, as stated in the report, is 160 gpcd. The distribution system leakage is estimated to be 188 gpcd. This still equates to a 282 gpcd average usage. The three towns used as examples in the report (Harlem, Shelby and Ennis), which are metered, average 176 gpcd. The report estimates the cost to install 600 individual water meters to be \$338,000. The report concluded that the installation of water meters was not economically feasible at this time. The Water System Analysis report describes the Town's (average) water usage in gallons per day per capita (gpcd) as 470 gpcd. The national average, as stated in the report, is 160 gpcd. The distribution system leakage is estimated to be 188 gpcd. This still equates to a 282 gpcd average usage. Three towns used as examples in the Applicant's engineering report (Harlem, Shelby and Ennis) which are metered, average 176 gpcd. The Town's high average water usage is due to both leaks and waste. In lieu of meter installation, the DOC review engineer recommends that the Town implement an extensive water conservation program to minimize the system leaks and reduce the high water use.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The Town has an extremely serious public health threat that would be corrected by this project. However, the Applicant provided weak documentation to demonstrate that TSEP funds are important to enable the project to proceed.

The Applicant has recently prepared a master plan for both the water and wastewater systems and has developed and approved a mini-CIP. The Applicant is currently analyzing its rate structure and will be establishing a new rate schedule with the help of Montana Rural Water Systems (MRWS). The Council has implemented a well head protection plan to protect the Town's water supply which was developed with the help of MRWS.

The Town does not intend to install water meters arguing that meters would not be economically feasible at this time and that the required capital investment for meters would be more effectively spent replacing severely leaking water mains. In lieu of meter installation, the DOC review engineer recommends that the Town reduce its high water usage by implementing an extensive water conservation program.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 229 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need

Indicator 1. Household Economic Condition Analysis:

MHI	\$20,536
% persons at or below LMI	48%
% persons at or below poverty	11.5%

The analysis for this applicant shows that the:

- median household income is 18th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 12th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 32nd out of the 41 applications.

Household Economic Condition Analysis Ranking: 17th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$17.22	51%
Monthly Rate With No Assistance	\$35.92	106%
Monthly Rate With Assistance	\$28.72	85%

Target Rate Analysis Ranking: 39th in the field of 41 applications.

Overall Competitive Ranking: 39th in the field of 41 applications = 229 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 2, 200 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
CDBG	Grant	\$400,000	Funds Awarded 1998
RRGL	Loan	\$907,000	Applied/No Decision
RRGL	Grant	\$100,000	Applied/No Decision
Town	Water Enterprise Fund	\$10,000	Committed
Total		\$1,417,000	

The Applicant documented efforts to seek out, analyze, and secure the firm commitment of alternative or additional funds from most appropriate sources to assist in financing the proposed project. RD funding was not seriously considered because of the RD requirement for water meters. The Applicant chose not to install water meters.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With and without TSEP participation, the Applicant will have user fees less than 110% of target rate; therefore, the Applicant provided weak documentation to demonstrate that TSEP funds are important to enable the project to proceed.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that in 1993, the U.S. Forest Service funded an "Economic Assessment and Action Plan" for the Town of Boulder. That plan identified the deficiencies in the water system as an impediment to economic development and recommended that the Town immediately pursue a program to improve the water system. Part of the economic development strategy developed by the Boulder Community Development Task Force is to attract businesses to locate in the vacant buildings on the campus of the Montana Developmental Center (MDC). In the past few years, the County and Town have successfully attracted three separate businesses and governmental agencies to occupy previously abandoned buildings on the south campus. There have been several proposals to utilize other vacant buildings. The Applicant stated that the project is necessary to provide adequate fire flows for new and existing businesses on the MDC south campus as well as the rest of Town. By accommodating and promoting business expansion on the south campus, the project will help create additional jobs for the residents of Boulder.

The Applicant stated that the proposed project will provide an increased level of fire protection for the Town which will protect existing jobs and furnish confidence for current businesses and institutions to expand and new businesses to locate thus providing additional job opportunities. According to the Applicant, a water system meeting ISO requirements would likely result in a decrease in insurance premiums for the businesses and residents of the community. The Applicant said that an updated water system will likely make Boulder an attractive place for residents and businesses to remain in and relocate to, thus maintaining and creating additional full time employment opportunities for the Boulder area.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

As discussed within Priority #7, the proposed project would promote further business development on the MDC campus as well as residential and commercial growth throughout Town. The potential increase of residents to Boulder will require more support services thus the proposed improvements would improve

the economic climate of the Boulder area, making the Town more attractive for business expansion and relocation.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

According to the Applicant, the proposed project at the very minimum will maintain the existing tax base of Boulder and will likely increase it. Should the water system continue to be operated as is, with no improvements, a fire, the threat of fire, increased insurance premiums, or continued occurrences of contamination may cause businesses to close down or relocate out of Town. An up to date water system meeting both state and federal standards, will make Boulder an attractive place for new residents and businesses. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Town conducted a comprehensive needs assessment process for its CDBG application. The selection of the proposed project was made after soliciting considerable public input through public meetings, a community-wide survey, and newspaper articles. Over the past several years, on-going planning and project preparation has included the public through surveys, well advertised public hearings and news media. The water system deficiencies and improvements have been publicly discussed and questions fielded and addressed. In general, the proposed improvements were well received and the project supported.

According to the Applicant, the public hearing was well advertised with notices run in the newspaper and posters placed around Town. The Applicant stated that the town had made every effort to notify and encourage meaningful citizen participation. The TSEP and CDBG Programs were discussed and input from the public was solicited at two public hearings. Over 45 people, including the Mayor and Council, attended the first hearing. The project was largely supported by those community members present. The Town Council held another public hearing to give citizens an opportunity to offer final comment on the Town's TSEP and CDBG applications. Sixteen people were in attendance in addition to the Mayor and Town Council. It was specifically discussed at the hearing that CDBG and TSEP funds were being pursued to benefit low and moderate income residents of the community by finding alternative funding so that the water rate would not have to be elevated above the target rate. The persons at the hearing were told that the single unit residential water rate would increase to \$24.00 per month. The meeting was opened up for public comment and several people commented that they understood the project and did not feel any further comment was necessary. Letters of support for the project were received by several organizations and individuals from within and outside the community.

Environmental Impact

The Uniform Environmental Checklist was prepared by a consulting engineering firm. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 13****APPLICANT: TOWN OF DENTON****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$415,000 Grant	\$100,000 RRGL Grant
		\$350,200 SRF Loan
Total	\$415,000	\$450,200

Project Total: \$865,200

Percent Matching Funds:	52%	Existing Combined Monthly Rate:	\$37.00
Population:	375	Target Combined Monthly Rate:	\$34.03
Number of Households:	167	Monthly Rate With No Assistance:	\$65.55
Number of Total Hookups:	178	Monthly Rate With TSEP Funding:	\$45.83
Median Household Income:	\$20,625	Variance From Target Rate:	135%
Existing Monthly Water Rate:	\$22.00		
Existing Monthly Wastewater Rate:	\$15.00		

Project Summary:

Problem - The Town's wastewater treatment system has several deficiencies including:

1. inadequate treatment lagoon volume,
2. the lagoon has severe erosion along interior dikes,
3. the lagoon performance is limited by the single cell facility,
4. a significant volume of sludge has accumulated in the treatment lagoon, and
5. BOD and fecal coliform discharge violations.

Proposed Solution - The proposed project would construct a three-cell facultative lagoon system.

This project received 4,025 points out of a possible 5,500 points.

This project ranked 13th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$415,000

1. The combined water and wastewater rates charged to households would be 135% of the target rate with TSEP Assistance and 193% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the Town's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that there have been seven BOD and fecal coliform bacteria violations documented from January 1995 through September 1997. While the Town's discharge permit is clearly being violated the physical location of the wastewater cell discharge flow minimizes the potential of a public health or an environmental crises. DEQ substantiated the seriousness of the permit violations and indicated that a DEQ directive would be issued if the Town does not proceed with the proposed treatment improvements.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated that the results of a comprehensive performance evaluation by Montana State University-Northern in July 1996, indicated an inadequate treatment process existed at the Town's wastewater treatment facility. In February of 1997, the DEQ Water Protection Bureau issued a letter directing the Town to prepare a report outlining the procedure by which the sewage treatment system would be brought into DEQ compliance. The discharge permit violations represent a potential public health and safety threat as well as an environmental pollution threat, however the physical location of the wastewater cell discharge flow minimizes the potential seriousness of a public health or an environmental crises.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the Applicant has addressed the wastewater system's needs and has provided a reasonably complete long-term solution to meet the stated needs. The proposed wastewater treatment facility improvements and modifications are reasonable and represent an efficient, appropriate and cost-effective design and construction approach to the Town's wastewater system related needs. The DOC review engineer also stated that the following items may become issues that could delay and/or prevent the proposed treatment facility improvements from being constructed within the budget as proposed: 1) a shallow ground water table has been (less than 4 feet) has been observed in the Town, and 2) the purchase of the adjacent land for the new treatment cells. In addition, the wastewater cell discharge channel, which initially extended to Wolf Creek, has filled with solids and no longer extends into the creek. A wetland area, fed by the lagoon discharge, has developed between the lagoon and the creek. Visual observation indicates that the discharge eventually migrates into the creek along about a quarter mile reach. A Corps of Engineers 404 permit may be required if the lagoon discharge channel is re-opened.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points**

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The Town has a relatively serious public health threat that would be corrected by this project, and TSEP participation is extremely important to enable this project to proceed.

In 1998, the Town adopted a comprehensive CIP. Over the past 18 months, the Town has raised rates from \$2.50 to \$15 per month. Even though the Town installed water meters to most water system users in 1988, the Town has not utilized the readings for billing purposes. However, the Town plans to install meters to the remaining system users and meter water usage to determine monthly charges. This should reduce water usage, thereby decreasing water system costs and improving wastewater system efficiency.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 365 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$20,625
% persons at or below LMI	42%
% persons at or below poverty	10%

The analysis for this applicant shows that the:

- median household income is 19th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 19th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 35th out of the 41 applications.

Household Economic Condition Analysis Ranking: 22nd in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$37.00	109%
Monthly Rate With No Assistance	\$65.55	193%
Monthly Rate With Assistance	\$45.83	135%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 22nd in the field of 41 applications = 365 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES
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Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points
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FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$350,200	Applied/No Decision
Total		\$450,200	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. While the Applicant discussed most appropriate funding sources, the Applicant did not discuss the possibility of using RD grant funds. An RD loan was briefly discussed, however, the Town felt it would not optimize its funding package. In addition, the Applicant dismissed using CDBG funds even though they would be eligible for funding. The reason that they decided not to use this source was that they did not feel that they would be competitive enough and they did not want to wait until 1999 apply.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% or greater of target rate without TSEP participation.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS
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Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points
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The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant

mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that an adequate wastewater system is a key component for economic activities. The Applicant said that it's local economic development committee identified several projects (a retirement home and expanding value-added businesses) they wanted to pursue for increasing jobs in the community. They added that until improvements to the wastewater system were made these projects had to be put on hold.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant mentioned loaning funds to a local processing plant and anticipates adding new jobs over the next two years, but did not indicate that the expansion of this business was dependent in any way on this proposed wastewater project.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property

No appropriate private sector alternatives to this project were identified. The Applicant stated that without the improvements the Town could not extend services and may not be able to allow any new connections.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Town held a public hearing in January of 1998 to discuss the wastewater facility plan. The meeting was advertised four times in the local/regional newspaper and once in the larger regional newspaper. Two news articles proceeded the meeting. The meeting was held in the evening and approximately 50 residents attended. At this meeting, residents were provided an extensive handout and informed about the needs of the system, the proposed project and the potential costs depending on various funding scenarios. In March of 1998, a meeting was held to discuss all the community needs of the Town. This

meeting was proceeded by a news article and posters were put up around town to advertise the meeting. This meeting was also held in the evening and approximately 40 residents attended. At the end of the meeting the mayor and town council listed the needs and ranked them according to an established criteria. Improvements to the wastewater system was ranked number one. Also in March, a community needs survey was hand delivered to every household in the Town, resulting in a 94% rate of return. Seventy percent of the respondents felt improvements to the wastewater system were a high priority. Documentation of these various events included a legal ad, poster, news articles, minutes, sign-in sheets, and a handout. In 1998, the Town adopted also a comprehensive CIP.

Environmental Impact

The Uniform Environmental Checklist was prepared by the county planner who prepared the application. The DOC review engineer stated that the Applicant did not adequately assess the potential environmental impacts for this project, since he did not feel that the wetlands issue was adequately discussed. While the Applicant did not identify any anticipated adverse long-term environmental impacts, the DOC review engineer stated that the wetlands issues may require additional consideration so that no long term effects do occur as a result of the project as proposed. However, it was stated in the Town's facility plan, that DEQ prepared an environmental assessment with a Finding of No Significant Impact. Since the DEQ environmental assessment is a more in depth environmental analysis, no additional analysis is recommended.

TSEP APPLICATION RANKING SUMMARY FORM FOR THE 1999 LEGISLATURE**PROJECT NO. 14****APPLICANT: CITY OF CUT BANK****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 100,000 RRGL Grant
		\$2,587,000 SRF Loan
		\$ 47,000 City
Total	\$ 500,000	\$2,734,000

Project Total: \$3,234,000

Percent Matching Funds:	85%	Existing Combined Monthly Rate:	\$47.05
Population:	3,508	Target Combined Monthly Rate:	\$38.57
Number of Households:	1,244	Monthly Rate With No Assistance	\$68.35
Number of Total Hookups:	1,422	Monthly Rate With TSEP Funding:	\$65.63
Median Household Income:	\$23,378	Variance From Target Rate:	170%
Existing Monthly Water Rate:	\$32.11		
Existing Monthly Wastewater Rate:	\$14.94		

Project Summary:Problem - The City's water system has several deficiencies including:

1. at least one intake pipe is plugged and one is broken in half, leaving only one pipe to collect water for the City,
2. no raw water storage to provide uninterrupted clean water when agricultural waste upstream from Cut Bank is washed into the creek and contaminates the City's source of water,
3. one part of the distribution system has undersized water lines, resulting in very low water pressure and nearly non-existent fire flows during irrigation season,
4. a 1 million gallon reinforced concrete water storage tank is deteriorating and is in danger of the roof collapsing,
5. a 1 million gallon steel standpipe has features that cause extremely low water pressure in the "booster district," and
6. a severely deteriorated distribution system.

Proposed Solution - The proposed project would construct a 63 million gallon raw water reservoir, rehabilitate the intake structure, replace the existing plant clarifier, provide standby power, update plant controls, construct upper loop distribution main, construct a new concrete tank and rehabilitate the existing one, rehabilitate the booster station and repair the standpipe.

This project received 4,019 points out of a possible 5,500 points.**This project ranked 14th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The combined water and wastewater rates charged to households would be 170% of the target rate with TSEP Assistance and 177% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the City's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the Applicant provided documentation verifying that the systems' raw water intake structures, distribution network and storage tanks have deteriorated, become outdated and do not meet DEQ and ISO design standards. The extent of the deterioration represents a serious threat to the health and safety of the residents of the City. The entire community is affected by the poor water quality during periods of upstream run-off and low water quantity during drought and high irrigation usage upstream. Forty percent of City is affected due to low water pressure and volume and the safety threat from the lack of adequate fire flows. The City has virtually no provisions for water need emergencies. The City's fire chief cites the undersized water mains and fire hydrants around the City's hospital and the schools as the highest concern of the fire department.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated that there is clear documentation that the City's water system violates several DEQ design standards, specifically the DEQ's eight inch minimum mainline piping diameter, the inlet structure configuration/reliability standards and the minimum fire hydrant line size. In addition, the ISO's minimum fire hydrant flows and pressure standard are being violated. Approximately 40% of the City's water distribution mains are four inches in diameter and 53% of the City's fire hydrants cannot be used by the fire department because of low output. The lack of fire protection for extended periods of time also constitutes a serious threat to the safety of the residents of Cut Bank. The City's fire chief has expressed his concern about the lack of pressure and flows within the water distribution system and its effect on his ability to contain a fire. In 1997, a documented upstream agricultural discharge into Cut Bank Creek created a significant health treat to the Community. There is potential for this type of public health incident to occur again.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the Applicant thoroughly examined the City's water system related needs and explored several alternatives and priorities to address those needs. The Applicant set out a reasonable and well supported rationale that proposes a phased program that will correct the City's water

related problems over the next ten years. The proposed project is the first phase and addresses the City's highest priority items. The proposed improvements are reasonable and represent an efficient and appropriate design and construction approach to the City's water distribution system related needs. While the engineer presented cost projections for the recommended improvements, a detailed breakdown of the costs were not provided. The system is currently 100% metered

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The District has a relatively serious public health threat that would be corrected by this project, and TSEP participation is extremely important to enable this project to proceed

The Applicant developed a water master plan of which this project is the first phase. In 1998, the Applicant, in conjunction with GAIN (Glacier Action and Involvement Now) and Glacier County completed a comprehensive needs assessment. As a result of this assessment, the City developed and adopted a comprehensive five-year CIP in 1998. In 1997, the Applicant completed a major improvement to the wastewater system, which required that system's rates to increase by \$8 per month. Water system rates were raised 12% in 1997. The system is currently 100% metered.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 419 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$23,378
% persons at or below LMI	32%
% persons at or below poverty	14%

The analysis for this applicant shows that the.

- median household income is 28th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 37th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 20th out of the 41 applications.

Household Economic Condition Analysis Ranking: 29th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$47.05	122%
Monthly Rate With No Assistance	\$68.35	177%
Monthly Rate With Assistance	\$65.63	170%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 19th in the field of 41 applications = 419 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$2,587,000	Have Not Yet Applied
City	Cash	\$47,000	Committed
Total		\$2,734,000	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant adequately evaluated all reasonable funding sources and is applying to those programs for which it is eligible. The Applicant stated that a RD loan would be considered if the City feels that the rate increase that would be required to service a 20 year loan is too high. The Applicant also indicated that the City's MHI is too high and disqualifies the community for a grant. The Applicant also stated that based on a recently conducted income survey, the City is not eligible for CDBG funds.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 150% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an

infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that this project will assist indirectly in economic development. The Applicant also stated that GAIN has fostered the development of two industrial park areas near Cut Bank, but that unless the repairs and expansion of the water system are completed, potential economic development cannot occur. The Applicant also pointed out that if a new 500 bed private prison is awarded to Shelby, Cut Bank which is 20 minutes west, will provide housing and services for some of the expected new employees at the prison. The Applicant added that in order for this to occur, the City's services must be brought up to acceptable standards. The Applicant did not provide any information that indicates that the improvements are required for any of the above to occur, nor has it been stated that there is any moratorium on new hook-ups to the system which would preclude the above from occurring.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that the water master plan includes plans to extend water mains to the industrial sites near the airport and the Northeast Railroad Access, indicating that these are the best locations for industrial development. GAIN stated that the improvement of water quality and quantity are prerequisites to successful industrial development. While these statements may be true, the Applicant has not proposed to extend the water mains to the industrial sites as part of this proposed project.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that an uninterrupted supply of clean, potable water will encourage community, commercial and economic development. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant stated that two public hearings, with over 50 people in attendance, were held during the development of the water master plan. However, the Applicant did not provide any documentation of these hearings. In May, 1998, a public hearing on the project was held in the evening. The hearing was advertised once five days before the meeting. The documentation in the application did not indicate how many citizens from the community attended the meeting. A handout was provided which described the costs of the proposed project and potential rate increases. Documentation of the hearing included a legal ad, minutes, and a handout. The application included one letter of support from the volunteer fire department. In 1998, the Applicant, in conjunction with GAIN and Glacier County, completed a comprehensive needs assessment. The City's citizens chose water quality as one of the two biggest problems in the community. As a result of this assessment, a comprehensive five-year CIP was developed and adopted in 1998.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private grant writer that prepared the application. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 15****APPLICANT: RICHLAND COUNTY****Type of Project: Bridges**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	<u>\$181,155 Grant</u>	<u>\$181,155 County</u>
Total	\$181,155	\$181,155

Project Total: \$362,310

Percent Matching Funds:	50%	Bridge Levy as a Percent of MHI:	.09%
Population	10,716	1999 Bridge Levy as a Ratio of 1986 Bridge Levy:	1.33
Number of Households:	4,009		
Median Household Income:	\$23,264		

Project Summary:

Problem - Two of the County's bridges that cross the Lower Yellowstone Main Canal (irrigation), do not have the structural capacity to support "modern day" modes of transportation, including farm and oil field equipment that can weigh up to 40 tons, nor do these structures meet the County's dimensional standards. The two bridges have the following deficiencies:

1. Micheletto Bridge, constructed in 1908, is a 58' long x 17 ½' wide pin connected truss bridge with the following deficiencies:
 - bearing devices and stringers are embedded in dirt, have light rust on all steel members, with heaving rust on ends of stringers embedded in backwall,
 - concrete scaling from caps,
 - scouring from behind backwall upstream of abutment number two,
 - shoulders scoured out,
 - excessive rot and broken decking over abutment number one,
 - excessive scaling and cracking of backwalls and caps, with loss of section in some areas, and delamination on caps of both abutments.
2. Haffner Bridge, constructed in 1908, is a 52' long x 17' wide pin connected truss bridge with the following deficiencies:
 - stringers have heavy rust with surface pitting, and stringers over abutment have significant section loss. Stringers in mid-span are deflecting down,
 - scaling and cracking off of old concrete on abutments,
 - bridge is out of alignment with roadway,
 - floor beams have scaling rust with surface pitting and have some section loss,
 - running planks are badly traffic worn,
 - bearing devices are covered with dirt, and ends of stringers are rusting out where embedded in backwalls.

Proposed Solution - The proposed project would extract and salvage the existing substructures in order to preserve their historical significance, and install new pile supported concrete substructures and a precast concrete deck.

This project received 4,015 points out of a possible 5,500 points.

This project ranked 15th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$181,155

1. The Applicant's bridge levy as a percent of MHI is above the state median (.04%) and the Applicant is also levying more for bridges than it was in 1986.
2. Based on the methodology used in DOC's financial gap analysis, it appears that the Applicant has made reasonable efforts to fund its bridge system and does not appear to have additional resources with which to fund the project without a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies related to the two bridges in the County as identified in the Project Summary on the preceding page. The DOC review engineer stated that given the existing condition of each bridge, the bridges are a serious safety threat. There exists potentially serious problems if either of the bridges were to fail, and MDT sufficiency ratings suggest each bridge is structurally deficient and in need of rehabilitation or replacement. The MDT sufficiency ratings for the two bridges are 24.3 and 20.4. A sufficiency rating under 50 indicates that a bridge is structurally deficient and in need of replacement. The condition of the Micheletto bridge, while still functional, is in poor shape and has the potential to develop serious or catastrophic problems. The movement of farm equipment is a regular function of the bridge. If the bridge were to fail, there would be no viable access to what appears to be a maximum of six homes/farms. The failure of the bridge could also disrupt the flow of irrigation water to numerous farms in the area. The condition of the Haffner Bridge is also poor, but still functional. Failure could result in loss of life, loss of irrigation water to area farms, and delayed response time by emergency. An alternative route, requiring a 4 mile detour, would be available if this bridge were to be closed. This priority was not scored higher because of the small number of county residents that utilize these bridges. The MDT Bridge Bureau also reviewed the application and concurred with the scores assigned by the DOC review engineers.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated that the MDT has classified both bridges as in need of replacement, and neither bridge is in compliance with the County's current bridge design standards. The MDT sufficiency ratings suggest each bridge is structurally deficient and in need of rehabilitation or replacement. The MDT sufficiency ratings for the two bridges are 20.4 and 24.3. A sufficiency rating under 50 indicates that a bridge is structurally deficient and in need of replacement. This priority was not scored higher because it

was felt that there is no immediate, imminent danger to the public. The MDT Bridge Bureau concurred with the scores assigned by the DOC review engineers.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the proposed solution incorporates appropriate, cost-effective technical design and provides thorough, long term solutions to the community public facility needs. The DOC review engineer felt that the proposed solution should have included more information about cast-in-place footings and foundations in lieu of H-piles for supporting the new bridges.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 460 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. These bridges pose a serious safety threat and TSEP funds are critical to enable the project to proceed, however, this priority was not scored higher because of the limited number vehicles and households that are served by these bridges.

The Applicant has been conducting an infrastructure condition inventory of all of its roadway features since 1990. It has an adopted bridge CIP which is updated annually. The Applicant completed a county-wide community needs assessment in 1996, and bridge improvement projects were listed as a high priority. A historical study which included an inventory on bridges located on the lower Yellowstone Main Canal was completed. In 1989 an overall economic development plan was completed, which is updated on a continual basis. The Applicant stated that as early as December, 1995, the County began informing the public of the shortage of local funds needed to complete bridge improvement projects. The County approved a ½% optional motor vehicle tax in 1997 to be used for the proposed project. The Applicant has used the maximum number of mills since 1990, five special mills for municipal bridges was added in 1996, and two emergency mills have been assessed to address bridge damage by natural disaster. The actions taken since 1990 have allowed the County to repair or replace 56 bridges (36 are new bridges and 20 are bridges replaced by culverts). In 1992 the Applicant created a capital improvements fund. Over time, this fund accumulated \$200,000 which has been steadily used for emergency bridge replacement repairs and on numerous occasions for the purchase of "unanticipated" equipment and bridge maintenance items. The Applicant did not indicate whether it has a comprehensive CIP for other facilities which it is responsible for maintaining.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 495 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$23,264
% persons at or below LMI	36%
% persons at or below poverty	14%

The analysis for this applicant shows that the:

- median household income is 26th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 26th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 20th out of the 41 applications.

Household Economic Condition Analysis Ranking: 27th in the field of 41 applications.

Indicator 2. Target Rate (Financial) Analysis:

Bridge levy as a % of MHI	.09%
Bridge levy as it relates to the state median of .04%	2.26
Entire levy as a % of MHI	2.02%
Entire levy as it relates to the state median of 2.89%	.7
1997 mill value as a % of 1986 mill value	20.78%
1997 bridge mills as a % of 1986 bridge mills	638%
Ratio of 1999 bridge levy to 1986 bridge levy	1.33

The County is also proposing to use \$439,800 from various non-property tax sources to supplement the projected bridge budget. This represents 46% of the total bridge budget. Compared to the other bridge applicant, this applicant is budgeting, in total, a greater amount for bridges, levies a greater amount as a percentage of the County's MHI, and supplements the budget with a greater amount of non-property tax funds, even though it has been affected more severely by I-105. The County has inventoried all of its bridges and prepared a county-wide plan for bridge improvements. In 1992 the Applicant created a capital improvement fund. The County approved a ½% optional motor vehicle tax in 1997, five special mills for municipal bridges were added in 1996, and two emergency mills were imposed in 1997. The County has completed 17 bridge projects in the past three years totaling \$222,000 in local funds. The County's bridge budget as a percent of need is approximately 18%, which is generally comparable to that of the other bridge applicant.

Target Rate (Financial) Analysis Ranking: 1st in the field of 41 applications.

(Note: The financial analysis for bridge applications is unique to bridge applications only. The financial analysis provided a numerical score which was then used in place of the score normally generated for other applications through the target rate analysis. This allows bridge applications to be evaluated and ranked using the same financial assessment used for all TSEP applications.)

Overall Competitive Ranking: 9th in the field of 41 applications = 495 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
Applicant	Cash	\$181,155	Committed
Total		\$181,155	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources, therefore TSEP funds are critical to enable the project to proceed.. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. Realistically, the Department of Transportation provides the only other source of funds for bridge projects, and in general, controls how those funds are spent. The only other significant source of funds for bridge projects comes out of counties' budgets

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs.

The Applicant stated that due to weight and width restrictions, or if the bridges were to be closed, farmers in particular would be required to use alternative routes. This would have a direct impact on the profitability of their farming operations. It was also mentioned that the deficiencies of one bridge could jeopardize an irrigation project which could shutdown access to water required for crops

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant acknowledged that the proposed project was not designed specifically for the expansion of a business, but stated that a safe transportation system plays an integral and important role in promoting future business expansion.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and

the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant said that without the proposed project the bridges will continue to deteriorate, eroding public confidence in the transportation system, which may ultimately persuade businesses and residents to relocate and/or expand elsewhere. There are no appropriate private sector alternatives to this project, and none were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

In 1995, public officials launched an awareness campaign to apprise county residents of the serious challenges the county was facing in maintaining the county's bridge system. A lead story ran in the regional newspaper about the obstacles facing the county. Several other news articles about funding bridge projects were also included. The Applicant held three public hearings that were primarily for the purpose of explaining the need for bridge projects and how they might be funded. At the second hearing, which was held after work, the County sought public opinion on the proposed ½% motor vehicle tax increase. Over 46 citizens were in attendance. The capacity crowd mainly opposed the increase, but the County Commissioners were able to dispel many concerns and ratified the tax increase after weighing the pros and cons. Before the last public hearing, telephone calls were made to each property owner in the project area to inform them of the hearing. The public hearings were each advertised at least twice, well in advance of the hearings. In addition, posters were placed at various locations announcing two of the public hearings. Documentation included news articles, advertisements, agendas, sign-in sheets, and minutes. The Applicant has been conducting an infrastructure condition inventory of all of its roadway features since 1990. It has an adopted bridge CIP which is updated annually. The Applicant completed a county-wide community needs assessment in 1996, and bridge improvement projects were listed as a high priority. The Applicant did not indicate whether it has a comprehensive CIP for other facilities which it is responsible for maintaining.

Environmental Impact

The Uniform Environmental Checklist was prepared by the county engineer and grant administration consultant. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 16****APPLICANT: TOWN OF GERALDINE****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$300,000 Grant	\$269,007 CDBG Grant
		\$ 50,000 RRGL Grant
		\$175,000 SRF Loan
		<u>\$ 17,000 Town</u>
Total	<u>\$300,000</u>	\$511,007

Project Total: \$811,007

Percent Matching Funds:	63%	Existing Combined Monthly Rate:	\$30.00
Population:	297	Target Combined Monthly Rate:	\$32.56
Number of Households:	116	Monthly Rate With No Assistance:	\$58.57
Number of Total Hookups:	128	Monthly Rate With TSEP Funding:	\$40.41
Median Household Income:	\$19,732	Variance From Target Rate:	124%
Existing Monthly Water Rate:	\$23.20		
Existing Monthly Wastewater Rate:	\$6.80		

Project Summary:

Problem - The Towns wastewater treatment system has several deficiencies including

1. inadequate lagoon volume,
2. lagoon has severe erosion along interior dikes,
3. discharge structure is deteriorated beyond simple repair,
4. no primary flow measuring device,
5. lagoon operation and performance limited by having only a single cell facility,
6. a significant volume of sludge has accumulated in the treatment cells which is adversely affecting the treatment process, and
7. fencing is needed to prevent access to the site by the public.

Proposed Solution - The proposed project would construct an additional treatment cell and install a wind-driven mixer, new piping and discharge structures, rehabilitate an existing cell including removal of sludge, restore dike slopes and install a synthetic liner. A television inspection program involving cleaning, TV taping and a summary report would also be completed to assist in the implementation of Phase II of the Town's CIP to address long term wastewater collection needs.

This project received 3,980 points out of a possible 5,500 points.**This project ranked 16th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$300,000

1. The combined water and wastewater rates charged to households would be 124% of the target rate with TSEP Assistance and 180% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the Town's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the Applicant has documented ten BOD discharge permit violations in 1996 and 1997. The application included a copy of a letter and inspection report from 1994 which verified 19 BOD permit violation between 1984 and 1994. The DOC review engineer stated that the wastewater treatment systems is in poor condition and without improvements will continue to violate the plants BOD discharge permit limits. The Town has been unable to comply with the load limits of its discharge permit, which indicates it is unable to comply with National Secondary Treatment Standards. While this does not pose an immediate or serious health or safety problem, it does cause a serious environmental concern which should be corrected. The Town's wastewater system deficiencies are existing, continual and chronic and the entire community is seriously affected by the permit violations. DEQ is aware of the Town's wastewater treatment system permit violation related problems.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated that while the Town's wastewater treatment system clearly violates several DEQ standards, and has had a documented history of BOD permit violations, no court order or a state or federal agency directive has been issued to correct the Town's wastewater treatment problems. The BOD load limit violations indicate that the Town is unable to comply with National Secondary Treatment Standards, they do not pose an immediate or serious health or safety problem. The physical location of the wastewater treatment cell discharge flow minimizes the potential seriousness of a public health or an environmental crises.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 5, 800 Points

The DOC review engineer stated that the Applicant has addressed the existing treatment facility problems and provided a cost effective and long-term solution to correct the facilities deficiencies. The Town's highest priority wastewater project (treatment facility improvements) is being pursued first. The data needed to evaluate the required long-term collection system improvements is proposed to be compiled during the treatment facility improvements phase of the project. After thoroughly considering all

reasonable alternatives, the technical design proposed for the project represent an efficient, appropriate, and cost-effective option for resolving the Town's wastewater facility needs. The DOC review engineers gave this application the highest possible score because the analysis was exceptionally complete and well done.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The Town has a relatively serious public health threat that would be corrected by this project, and TSEP participation is important to enable this project to proceed.

In 1997, the Town began preparing facility plans for both the water and wastewater systems. The water facility plan is still in the process of being prepared. In 1998, the Town conducted a needs assessment and income survey, and adopted a comprehensive CIP. In 1997, the Town increased their sewer rate from \$1.80 to the current rate of \$6.80.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 300 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$19,732
% persons at or below LMI	42%
% persons at or below poverty	12%

The analysis for this applicant shows that the:

- median household income is 17th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 19th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 26th out of the 41 applications.

Household Economic Condition Analysis Ranking: 18th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$30.00	92%
Monthly Rate With No Assistance	\$58.57	180%
Monthly Rate With Assistance	\$40.41	124%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 31st in the field of 41 applications = 300 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$50,000	Applied/No Decision
CDBG	Grant	\$269,007	Have Not Yet Applied
SRF	Loan	\$175,000	#25 on Priority List
Town	Cash	\$17,000	Committed
Total		\$511,007	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Town has considered all reasonable funding sources and has incorporated them into the funding package, with the exception of RD grant funds for which they are not eligible.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 150% or greater of target rate without TSEP participation.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the

infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant indicated that if the infrastructure improvements are not made it could hinder future growth in the area.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that while this project is not directly connected to the expansion of any businesses, there are ten businesses in the town and that if there is a rate increase it will have a negative impact on their profitability.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant said that if it becomes necessary for the Town to issue a moratorium on new connections, it will limit any potential for growth in the area. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Town held two public meetings in 1998 concerning the project. Both meetings were held in the evening and were well attended. The Applicant provided good documentation about the meetings including several news articles, legal notices, sign-in sheets, a handout and minutes. The documentation showed that the proposed project was discussed along with their funding strategy and the proposed rates. In April, an informative newsletter was mailed to every system user about the proposed project. In 1998, the Town conducted a needs assessment and income survey, and adopted a comprehensive CIP. Water/sewer issues were rated number one in the needs assessment. Approximately 60% indicated that they would be willing to pay an additional fee for needed improvements.

Environmental Impact

The Uniform Environmental Checklist was prepared by a non-profit economic development agency. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE
PROJECT NO. 17
APPLICANT: AUGUSTA WATER AND SEWER DISTRICT, LEWIS AND CLARK COUNTY

Type of Project: Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 400,000 CDBG Grant
		\$ 606,000 SRF Loan
		\$ 20,000 District
Total	\$ 500,000	\$1,026,000

Project Total: \$1,526,000

Percent Matching Funds:	67%	Existing Combined Monthly Rate:	\$10 00
Population:	300	Target Combined Monthly Rate:	\$10.21
Number of Households:	167	Monthly Rate With No Assistance:	\$33 35
Number of Total Hookups:	211	Monthly Rate With TSEP Funding:	\$17.90
Median Household Income:	\$17,024	Variance From Target Rate:	175%
Existing Monthly Water Rate:	NA		
Existing Monthly Wastewater Rate:	\$10 00		

Project Summary:

Problem - The District's wastewater system is operating under a DEQ recommended moratorium on new hookups since it has several deficiencies including:

1. inadequate in size,
2. lagoon leaks excessively,
3. no MPDES discharge permit even though there is a discharge line,
4. has accumulated 1.5 feet of sludge,
5. no room for expansion,
6. substandard sewer line extensions, and
7. sewer mains with less than desirable slopes.

Proposed Solution - The proposed project would replace the existing single cell lagoon with a new total retention treatment facility, and replace substandard sewer main extensions and connections.

This project received 3,923 points out of a possible 5,500 points.
This project ranked 17th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The combined water and wastewater rates charged to households would be 175% of the target rate with TSEP Assistance and 327% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the District's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the three most serious problems are excessive leakage from the wastewater lagoon, short detention time due to sludge accumulation and excessive leakage, and improperly constructed sewer collection lines. To date there are no documented cases of disease contraction attributable to these problems, however the potential hazard to public health is significant. The District is not currently required to meet a compliance schedule or moratorium from the DEQ, however the DEQ recognizes the problems and recommends corrective action. If water quality standards are being exceeded, the DEQ may choose enforcement action against the District to correct the problems. The application was not rated higher because there was no documented contamination of groundwater or surface water.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that while the District is not under a court order, state or federal agency directive to correct the system deficiencies, the DEQ has recommended that corrective action be taken. Documentation demonstrated that the problems violate state design standards as outlined in DEQ Circular WQB 2. The violations of the WQB 2 standards represent a significant threat to public health. The proposed project addresses both the primary problems which are a significant threat, as well as the secondary problems which do not necessarily pose a threat but do violate state standards.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the proposed project provides a thorough, long-term solution to the District's problems. The selected technical design alternative represents a cost-effective and appropriate solution. Four alternatives were ranked based on relative cost effectiveness, operation and reliability, treatment performance and environmental considerations. Although the total retention lagoon system was more expensive than the other alternatives, it was selected based on operational reliability, good treatment performance, and positive environmental impact. For a small community, such as Augusta, this alternative would provide a good, cost-effective treatment system with minimal operation and maintenance concerns.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points**

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The District has a relatively serious public health threat that would be corrected by this project, and TSEP participation is extremely important to enable this project to proceed

No planning efforts took place until 1996 when this project was initiated, when complaints about the system were received by the County Commissioners. Until 1997, the system was operated as a rural improvement district. User fees prior to this project being initiated were not discussed. The total annual budget in 1995 was \$4,200 and \$2,221 in 1996. The budget was increased to \$33,000 after formation of the District, based on a monthly user fee of \$10.00 per unit.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 503 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$17,024
% persons at or below LMI	63%
% persons at or below poverty	28.4%

The analysis for this applicant shows that the:

- median household income is 7th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 2nd out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 2nd out of the 41 applications.

Household Economic Condition Analysis Ranking: 2nd in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$10.00	98%
Monthly Rate With No Assistance	\$33.35	327%
Monthly Rate With Assistance	\$17.90	175%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 7th in the field of 41 applications = 503 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
CDBG	Grant	\$400,000	Will Apply in 1999
SRF	Loan	\$606,000	Discussed/Not Applied
District	Cash Reserves	\$20,000	Committed
Total		\$1,026,000	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. Most of the appropriate funding sources were discussed. The Applicant briefly discussed an RD loan, but did not discuss the possibility of an RD grant.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 150% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that the area is showing signs of increased real estate activity and various potential sources of economic development. The Applicant added that the DEQ recommended moratorium on new hookups holds back growth of the community. However, the Applicant did not discuss any specific job opportunities within the District that would be created or retained as a result of this project.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure

improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant discussed that the area is showing signs of improved economic development, and the recommended moratorium on new hookups limits that development. The Applicant did not discuss any specific businesses within the District that would be created or expanded as a result of this project.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant discussed the fact that general business and population growth would encourage expansion of the tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant held five public meetings beginning in September 1996, as evidenced by a variety of documentation, to inform and obtain public input about the system's problems and proposed solutions. The Applicant also provided documentation of eight public meetings related to the formation of the district. The Applicant stated that a meeting was held in February, 1998, and a proposed rate increase was discussed with 33 people in attendance. However, the only documentation related to this meeting was a sign-in sheet. On May 18, 1998, a public hearing was held to obtain comments on the TSEP grant application. The hearing was advertised one time and held in the morning. Several people attended the hearing. The public was provided with a handout that provided a considerable amount of information including the cost of the project. Documentation included a legal ad, sign-in sheet, minutes and a handout. One letter of support from the County was included in the application.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private engineering firm. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 18****APPLICANT: CITY OF HAVRE****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$303,747 Grant	\$455,620 EDA Grant
		\$ 34,239 City
Total	\$303,747	\$489,859

Project Total: \$793,606

Percent Matching Funds:	62%	Existing Combined Monthly Rate:	\$37.40
Population:	10,232	Target Combined Monthly Rate:	\$42.32
Number of Households:	3,250	Monthly Rate With No Assistance:	\$47.75
Number of Total Hookups:	3,519	Monthly Rate With TSEP Funding:	\$47.20
Median Household Income:	\$25,646	Variance From Target Rate:	112%
Existing Monthly Water Rate:	\$20.42		
Existing Monthly Wastewater Rate:	\$16.98		

Project Summary:

Problem - The City's water system has one major deficiency: considerable leakage in the lead joints of the single 16 inch transmission main.

Proposed Solution - The proposed project would replace the 16-inch water main from 6th Avenue West to Montana Avenue.

This project received 3,826 points out of a possible 5,500 points.**This project ranked 18th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: \$303,747**

1. The combined water and wastewater rates charged to households would be 112% of the target rate with TSEP Assistance and 113% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

DOC RECOMMENDED CONDITIONS FOR THIS PROJECT: If funded, verification will be required of the monthly residential water rate increase to \$30.22 per the City's adopted CIP.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There is one deficiency in the City's water system as identified in the Project Summary on the preceding page. The Applicant stated that since 1985, the main transmission line has had 18 major leaks that disrupted water service to the City. Three of these breaks have occurred in the past 12 months. The DOC review engineer stated that the age of the transmission line, 46 years, would imply that the life of the pipe is reaching its useful limit and that the problem is existing and will get worse over time. The DOC review engineer stated no written documentation from any state or federal agency substantiating the seriousness of the problem was included in the application.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC review engineer stated that no court orders or state or federal directives have been issued to the Applicant, however, he adds that chronic transmission line failure does violate the state's health and safety standards and would affect the entire community. The DOC review engineer added that the proposed project will provide a long-term solution to the problem.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that the applicant addressed the problem and provided a cost effective, appropriate and long-term solution to the problem. The DOC review engineer noted that the City currently has water meters throughout the distribution system. However, the DOC review engineer stated a potentially serious condition may exist relative to fuel contaminated soil and groundwater. The DOC review engineer noted that a footnote appeared in the application stating that the contaminated material removal cost is an approximation, but there was no further discussion of this issue. The DOC review engineer stated that the project will require the excavation and removal of contaminated soil as a result of area underground fuel tanks. The projected cost proposal approximates the quantities and contamination removal costs, therefore, additional preconstruction soils exploration or a 20% to 25% contingency should be considered. The DOC review engineer added that the use of PVC pipe may not be the best pipe material for this type of situation.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

The project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The City has a relatively serious public health threat that would be corrected by this project, and TSEP participation is extremely important to enable this project to proceed.

The City adopted a CIP in January of 1998. The Applicant stated that the City is an active participant in the Bear Paw Economic Development District. Bear Paw conducts an ongoing planning process for each of its member entities. The Applicant stated that this project has been identified as the City's highest priority public facility in the Bear Paw Work Program, however, a copy of that document was not included with the application.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 266 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$25,646
% persons at or below LMI	33%
% persons at or below poverty	15.5%

The analysis for this applicant shows that the:

- median household income is 34th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 35th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 15th out of the 41 applications.

Household Economic Condition Analysis Ranking: 30th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$37.40	88%
Monthly Rate With No Assistance	\$47.75	113%
Monthly Rate With Assistance	\$47.20	112%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 35th in the field of 41 applications = 266 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
EDA	Grant	\$455,620	Applied 1998/No Decision
City of Havre	Cash Reserves	\$ 34,239	Expended--(engineering)
Total		\$489,859	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant stated that less than one-half of the community's households are low or moderate income, therefore CDBG funding is not being pursued. The Applicant stated that it was not eligible to apply to RD because priority is given to communities with less than 5,000 population and the Applicant's population is 10,232. The Applicant stated that it is using SRF funding to finance its water treatment plant improvement project and as a source of funding for its sewer treatment plant upgrade. The Applicant projected that a revenue bond issue would be about 5.5% with a 20-year repayment term. The Applicant stated that if this financing source is used the City would need to increase water rates by another \$2.50 per month per user. The Applicant also stated that it is reaching its debt limit with over \$3,000 per household and may not be able to secure a reasonable bond interest rate on a conventional revenue bond.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate; this would generally indicate that TSEP funds are moderately important to enable the project to proceed. However, the Applicant has adequately demonstrated that it is at its debt limit making TSEP funds critical to enabling the project to proceed.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that the identified water main lies underneath the busiest road in the community, along which many local businesses have located. The Applicant stated frequent interruption of water service caused by breaks in the water line have a negative impact on the city's general business climate. The Applicant added that the City's two largest employers are dependent on the water service and that disruptions in water service have the potential of triggering closures of both operations. However, the

Applicant did not provide any documentation to support this statement.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant indicated that the proposed project would greatly improve the ability of any existing business to expand if business conditions merit such a decision.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the purpose of the project is to eliminate the highest priority deficiency in the City's water distribution system without imposing a water rate increase that would be unaffordable for households and place additional burdens on local businesses. The Applicant also stated that this improvement will also enhance the City's fire protection. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

A formal public hearing to discuss the proposed TSEP application was held in May of 1998. The Applicant did not include documentation regarding the attendance of this hearing. No rate increase will result from this project. The Applicant supplied newspaper articles relative to the water main breaks and the proposed project. The Applicant stated that the sign-up sheets and minutes of public hearing were included in the application, however, none were found by the reviewer. Also, the City adopted a CIP in January of 1998.

Environmental Impact

The Uniform Environmental Checklist was prepared by the grant writer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 19****APPLICANT: SWEETGRASS COMMUNITY WATER/SEWER DISTRICT, TOOLE COUNTY****Type of Project: Wastewater System Improvement**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$213,000 Grant	\$253,000 CDBG Grant
		\$100,000 RRGL Grant
		\$ 55,000 SRF Loan
		\$ 2,500 Toole County
		<u>\$ 7,500 District</u>
Total	<u>\$213,000</u>	\$418,000

Project Total: \$631,000

Percent Matching Funds:	66%	Existing Combined Monthly Rate:	\$31.80
Population:	110	Target Combined Monthly Rate:	\$23.38
Number of Households:	43	Monthly Rate With No Assistance:	\$65.00
Number of Total Hookups:	65	Monthly Rate With TSEP Funding:	\$41.53
Median Household Income:	\$14,167	Variance From Target Rate:	178%
Existing Monthly Water Rate:	\$21.80		
Existing Monthly Wastewater Rate:	\$10.00		

Project Summary:

Problem - The wastewater treatment system for the unincorporated community of Sweetgrass, built in 1963, has the following deficiencies:

1. system has only one treatment lagoon while state standards require a minimum of two,
2. inlet design violates state standards, and
3. seepage rate is in violation of state standard of six inches a year.

Proposed Solution - The proposed project would expand the lagoon system to two cells, add a new inlet, and reline an existing lagoon cell to prevent leakage.

This project received 3,808 points out of a possible 5,500 points.**This project ranked 19th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$213,000

1. The combined water and wastewater rates charged to households would be 178% of the target rate with TSEP Assistance and 278% without, which indicates a serious affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 2, 400 Points

Sweetgrass is an unincorporated community located on the United States-Canadian border approximately 90 miles north of Great Falls, Montana on Interstate Highway 15. A rural improvement district was formed 1963 to construct the water and sewer system. No significant improvements have been made since then, except for minor expansions to accommodate businesses. There are three major deficiencies in the District's wastewater treatment system as identified in the Project Summary on the proceeding page. The DOC review engineer stated that the existing system clearly does not meet the DEQ design standards. However, the documented problems have very low potential to impact public health and/or safety. The probability of impacts is very low, and there is no documentation of urgent or serious impacts to the public health or safety of the residents at this time.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that the project is not necessary to meet any state or federal directives. However, there is clear documentation that the existing facility does not meet the DEQ design standards for treatment facilities. The proposed project will allow the facility to meet all applicable state and federal health and safety standards. The DOC review engineer stated that it is doubtful that the deficiencies with the lagoon represent a threat to public health or safety.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 5, 800 Points

The DOC review engineer stated that the approved facility plan adequately investigated all reasonable alternatives for bringing the wastewater facility into compliance. The selected alternative completely resolves the community's wastewater facility needs as identified at this time. The proposed alternative represents the most efficient, appropriate, and cost-effective option for resolving the deficiencies with the wastewater system. The DOC review engineers gave this application the highest possible score because the analysis was exceptionally complete and well done.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points**

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. Even though TSEP participation is critical to enable this project to proceed, the District does not have a serious public health threat

The Sweetgrass community appears to have made a recent commitment to provide public facilities and services that are adequate and cost effective. The newly formed District has adopted a CIP for the water and sewer systems. According to the Applicant, during the implementation of the sewer rehabilitation project, the District would expand the plan to include other community needs (fire and police protection, parks and recreation, streets, housing). A needs assessment that includes all of North Toole County (Kevin, Sunburst, Sweetgrass and rural Toole County) is underway. The Sweetgrass CIP will be improved and updated when information from the needs assessment is available.

The District purchases water from the Village of Coutts, Alberta, that has been piped over nine miles from the Milk River. There is no other known source of potable water anywhere in the vicinity. The District has recently completed a long term water facility plan. A major concern is that the District has no water storage to assure uninterrupted water service or fireflow of any duration; the District feels that water storage is extremely important for the viability of the community. The District has adopted policies to ensure that the maintenance personnel are properly trained and certified to operate and maintain the treatment facility. The project engineer would prepare an operation and maintenance manual for the new wastewater facility to set out O & M procedures for District maintenance personnel.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 528 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$14,167
% persons at or below LMI	59%
% persons at or below poverty	38.50%

The analysis for this applicant shows that the:

- median household income is 1st out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 4th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 1st out of the 41 applications.

Household Economic Condition Analysis Ranking: 1st in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$31.80	136%
Monthly Rate With No Assistance	\$65.00	278%
Monthly Rate With Assistance	\$41.53	178%

Toole County and the Sweetgrass Water/Sewer District applied for a CDBG grant in May 1996, however, in August, DOC announced that the Sweetgrass wastewater project was not selected for CDBG funding. The combined water and sewer rates would exceed the affordability target rate by 57%, even if all grants applied for, including CDBG, were funded. The failure to receive CDBG funding will further increase the Applicant's need for the requested TSEP grant.

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 5th in the field of 41 applications = 528 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES
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Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points
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FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
CDBG	Grant	\$253,000	Applied in May 1998; Was Unsuccessful
RRGL	Grant	\$100,000	Applied/No Decision
Toole County	General Funds	\$ 2,500	Committed
District	User Fees	\$ 7,500	Committed
SRF	Loan	\$ 55,000	Discussed/No Application
Total		\$418,000	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. According to the Applicant, TSEP is extremely important to leverage all the other funding sources and keep the rates at the estimated level. The funding restrictions of each program, and the low population of the District limits the amount of funds that can be obtained from any one source. The high percentage of low and moderate income and elderly households limits the amount the residents can be expected to pay. The combined water and sewer rates would exceed the affordability target rate by 178%, even if all grants requested were funded. In August, DOC announced the results of the CDBG public facilities grant

competition; the application for this proposed project was not selected for CDBG funding. This will further increase the Applicant's financial need for the requested TSEP grant.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. Without TSEP participation, the Applicant would have user fees 250% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

However, the Applicant stated that the new cross border commerce that has occurred since the North American Free Trade Agreement (NAFTA) has created a number of new jobs in Sweetgrass. Seven firms that supply brokerage services for truckers crossing the Canadian/U.S. border employ at least thirty-five people. There is a potential for more businesses to serve the increased cross-border commerce created by NAFTA. According to the Applicant, a new \$15 million border station is proposed for construction within the next three years. This would create or save at least fifteen jobs, however, no information was provided to document that the facility will be built. The Applicant stated that investors wishing to construct a new motel and a new truck stop have been stalled due to problems with the wastewater system. The District has imposed an unofficial moratorium on commercial sewer hookups that generate significant wastewater discharge which has placed most new commercial development on hold until the sewer system is rehabilitated. Two of the proposed businesses, a motel and a truck stop, have the potential of employing up to thirty-five new workers.

The Applicant also stated that a properly functioning central wastewater system is important for the economic well-being of Sweetgrass because the system supports business and industrial development and economic growth, allows compact, efficient land use development that augments the vitality of Sweetgrass as a rural community. According to the Applicant, the existing inadequate wastewater system poses a threat to retaining the existing jobs and creating new jobs in Sweetgrass. Seventy-five workers are now employed at brokerage firms in Sweetgrass. Several other brokerage firms have located in Shelby, instead of Sweetgrass, and many of the workers in the Sweetgrass firms commute from Shelby or Sunburst.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

As discussed in Statutory Priority #7 above, the Applicant stated that the upgraded wastewater treatment facility will encourage and facilitate business and economic growth.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and would not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

As discussed in Statutory Priority #7 above, the Applicant stated that the upgraded wastewater treatment facility will encourage and facilitate business and economic growth. Any expansion of the local commercial or industrial sectors will broaden the property tax base of Toole County and the local school districts. No appropriate private sector alternatives to this project were identified. According to the Applicant, because the project is a publicly owned district wastewater system, a private sector alternative is not reasonably appropriate.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points

The Applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant provided documentation of active citizen participation, including several public hearings and considerable door to door outreach prior to developing the TSEP application. Toole County assisted the District in the process of forming a county water and sewer district to replace the rural improvement district originally established in 1963. The County Attorney did the research and advised the District on conducting the petition process and the election. The District Board of Directors delivered door to door and mailed information to voters (including absentee owners and out of the area owners), explaining the need for a county water and sewer district and the importance of a high voter turnout. The voter turnout was 88%, when only 40% was needed for a valid election. Voters supported the formation of a district by 98% (only one dissension among sixty voters.) The Board also conducted a door to door income survey in order to apply to the CDBG program. All households residing in District responded, establishing that 60% of Sweetgrass residents have low or moderate income.

According to the Applicant, several publicized hearings were held. During the development of the facility plan, two well attended hearings were conducted. After the election was held to form the District, two public hearings were held; one by the Toole County Commissioners and one by the District, to disseminate information about the proposed project. In addition, news releases in the Shelby Promoter and the Shelby radio station were issued. For each of the public hearings, posters were placed in public locations around Toole County and in Sweetgrass.

According to the Applicant, it has informed local citizens and affected property owners of the estimated cost of the project per household, and they are in support of the project. From the very beginning of the planning process in 1996, public information on projected costs and rate increases were announced at public meetings, as each stage of the planning progressed. Final cost estimates and grant eligibility were

established before the last public hearing in April 1998, and the final projected cost estimates and rate increases were announced at that time. The Board has pledged to continue the present practice of allowing discounts for senior citizens and instituting a modest surcharge for businesses to lessen financial impact on low income households. The Board of Directors, who represent at least seven resident households of Sweetgrass, passed a resolution to increase sewer charges in an amount sufficient to provide debt service for the proposed \$55,000 SRF loan. The increase will take place in phases over the next three years. The Board is continuing to field questions and discuss the project at local meetings of church groups, senior citizens and others.

According to the Applicant, the District has adopted a preliminary CIP that includes the water and sewer systems. At the present time, a needs assessment that includes all of North Toole County (Kevin, Sunburst, Sweetgrass and rural Toole County) is underway. The Sweetgrass CIP will be improved and updated when information from the Needs Assessment is available. When the North Toole County needs assessment is completed, the CIP will be upgraded and expanded to include all community public facility needs, including fire and police protection, parks and recreation, senior citizen facilities, etc.

Environmental Impact

The Uniform Environmental Checklist was prepared by a grant writing consultant. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 20****APPLICANT: LEWIS AND CLARK COUNTY****Type of Project:** **Bridges**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$665,985 County
Total	\$ 500,000	\$665,985

Project Total: **\$1,165,985**

Percent Matching Funds:	57%	Bridge Levy as a Percent of MHI:	.06%
Population:	52,000	1999 Bridge Levy as a Ratio of 1986 Bridge Levy:	2.26
Number of Households:	18,649		
Median Household Income:	\$26,409		

Project Summary:

Problem - The County has identified six bridges that are in critical need according to their needs assessment including:

1. Green Meadow Drive Bridge over Silver Creek, constructed in the 1950's, is a 30' long x 24' wide single span concrete structure with the following deficiencies:
 - deck forms are severely corroded, in some cases have rusted completely through,
 - super structure concrete is deteriorating with some rock pockets
 - concrete abutment walls show signs of widespread spalling and rock pockets,
 - stringers are completely rust covered, and
 - geometry of bridge needs alteration to provide additional hydraulic capacity and alleviate scour and siltation problems.
2. Birdseye Road Bridge over Seven Mile Creek, constructed in the 1950's, is a 28' long x 25' wide single span concrete structure with the following deficiencies:
 - stringers are undersized for a bridge span of the length of this bridge,
 - a concrete abutment wall on south bent is cracked in several places and much of the concrete spalling with rock pockets are common,
 - there is evidence of a scour on the south abutment wall,
 - north abutment wall is cracked in several places and spalling is evident, and
 - current waterway opening appears incapable of handling flood events.
3. Country Club Avenue Bridge over Ten Mile Creek, constructed in the 1960's, is a 40' long x 26' wide two span timber structure with the following deficiencies:
 - some curbing is missing on the north side,
 - the west span contained several deep checked stringers,
 - one pier exhibits signs of scour,
 - the ice breakers are drifting,
 - the west span contains one failed stringer and eight cracked stringers,

- east span has five cracked stringers,
 - pilecaps on a center pier and west bent are extensively cracked and show signs of crushing,
 - cross bracing is in poor condition, and
 - exposed timber pilings show some signs of wear due to high water and age.
4. Green Meadow Drive Canal Bridge, constructed in the 1958, is a 42' long x 26' wide two span timber structure with the following deficiencies:
- the deck is splitting and cracking with some rot,
 - south span contains two stringers that have failed and five stringers are cracked with other experiencing cracking and rotting,
 - north span has two cracked stringers, and
 - much of the cross bracing between the stringers is in poor condition (they are loose or broken away in several locations).
5. Valley Drive Canal Bridge, constructed in the 1958, is a 42' long x 26' wide two span timber structure with the following deficiencies:
- an asphalt surface was cracked and water was leaking through the wood decking,
 - the south span currently has one failed stringer and three cracked stringers,
 - the north span has one failed stringer and two cracked stringers,
 - a bridge deck is loose causing the decking planks to vibrate, thus enhancing the deterioration of the timbers, and
 - cross bracing is either loose or broken away.
6. McHugh Drive Canal Bridge, constructed in the 1958, is a 46' long x 24' wide two span timber structure with the following deficiencies:
- the south span has three failed stringers and three cracked stringers,
 - the north span has one failed stringer and three cracked,
 - a bridge deck is loose causing the decking planks to vibrate, thereby enhancing the deterioration of the timber stringers, and
 - cross bracing between stringers is in poor condition, being loose or breaking away.

Proposed Solution - Three of the proposed bridge projects would construct five-27" deep prestressed concrete tri-deck beams on the existing reinforced concrete spread footing. Two of the bridge projects would construct five - 27" prestressed concrete tri-deck beams set on a driven pile with a concrete cap foundation. The sixth bridge project would construct five-47" deep prestressed concrete bulb tee beams set on a driven pile with a concrete cap foundation.

This project received 3,743 points out of a possible 5,500 points.
This project ranked 20th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$500,000

1. The Applicant's bridge levy as a percent of MHI is well above the state median (.04%) and the Applicant is also levying more for bridges than it was in 1986.
2. Based on the methodology used in DOC's financial gap analysis, it appears that the Applicant has made reasonable efforts to fund its bridge system and does not appear to have additional resources with which to fund the project without a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies related to six bridges in the County as identified in the Project Summary on the preceding page. The DOC review engineer stated that given the existing condition of each bridge, the bridges are an average safety threat. While there does exist potentially serious problems if any of the six bridges were to fail, the MDT sufficiency rating for each bridge suggests that the structures have not deteriorated to the point that would create a serious safety threat. The MDT sufficiency ratings take into account structural adequacy and safety, serviceability and functional obsolescence, and essentiality for public use. The MDT inspected and rated these bridges in May, 1997, and determined that each of these bridges were structurally sufficient. The MDT sufficiency ratings for the six bridges are 55.5, 65.7, 62.9, 74.6, 69.9 and 79. A sufficiency rating under 50 indicates that a bridge is structurally deficient and in need of replacement. A sufficiency rating between 50 and 80 indicates a bridge is in need of rehabilitation. All six of the bridges are rated between 50 and 80, and therefore in need of rehabilitation. Each of the bridges are located within the greater Helena area. These bridges are utilized by 1400 to 3200 vehicles per day, including school buses and heavy commercial traffic. If closed by the County, alternative routes are available for four of the bridges with detours up to 4 miles, although one detour would be 20 miles for heavy vehicles due to load limits on the alternative route. Another bridge would have a detour of 4 to 10 miles, and the remaining bridge would have a detour of 15 to 20 miles. However, based on the MDT sufficiency ratings none of these bridges have come close to deteriorating to the point that they would need to be closed to traffic. The DOC review engineer stated that none of the bridges have been closed or have had their load capacity derated.

The Applicant developed its own rating system which evaluated traffic volume, detour length, importance, safety and structural integrity. The County's inspection rating scale with regards to structural integrity is not a numerical scale, and therefore, the ratings assigned by the County cannot be compared to the sufficiency ratings assigned by the MDT. The Applicant stated in the Lewis and Clark Co. Bridge Evaluation Report, that its bridge rating system is highly subjective. The County's ratings indicate that the bridges structural integrity have deteriorated further. With all of the evaluation criteria taken into account, the County gave an overall rating for each bridge (25, 25, 28, 32, 28, and 28 out of a possible 35 points, with 35 being the worst condition). Based on this rating system the County recommended replacement of the bridges.

The MDT Bridge Bureau also reviewed the application and did not find documentation that would warrant MDT changing its ratings for the six bridges. The MDT staff pointed out that the two rating systems are not comparable. They also pointed out that bridges throughout the state are inspected every two years by trained inspectors, who apply a rating system that ensures consistency in rating bridges from one county to the next. The MDT stated that the Applicant did not provide adequate documentation of further deterioration that would prompt the MDT Bridge Bureau to consider changing its ratings. The MDT Bridge Bureau concurred with the scores assigned by the DOC review engineers.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS**Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points**

The DOC review engineer stated that the project will allow the County to replace the six deteriorated bridges with new structures that meet the current MDT and county design standards, thus eliminating the potential public safety hazards of the bridges. The DOC review engineer also stated that none of the six bridges are in violation of standards, have collapsed, been closed or had their load capacity derated, and there does not appear to be any immediate, serious public safety threat. As discussed in Statutory Priority #1, the MDT sufficiency ratings for the six bridges are all between 50 and 80, which indicates the bridges need to be rehabilitated, but not replaced. The MDT Bridge Bureau concurred with the scores assigned by the DOC review engineers.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN**Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points**

The DOC review engineer stated that the proposed solution for each of the six bridges incorporates appropriate, cost-effective solutions with sound technical design. It provides thorough, long-term solutions to the community's public facility needs. The DOC review engineer felt that the project should have included responses from other affected government agencies to further substantiate environmental concerns. It also appeared that Helena Valley Irrigation District had not been contacted concerning the bridges that cross their canal. The DOC review engineer felt that these two factors could have an affect on the project because of the lengthy permitting processes.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points**

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. While these bridges only pose an average safety threat, TSEP funds are critical to enable the project to proceed.

The County currently has a comprehensive plan which is in the process of being updated. The County also has a comprehensive ten-year CIP. The County has inspected and inventoried all of it's bridges and has included bridges in it's CIP. The bridge evaluation system used by the County to prioritize its bridge needs is outstanding. The County has identified nine additional bridges that are critical according to their bridge evaluation report and need replacement within the next two years. The Applicant stated that it is at the tax limits established by I-105 and has also imposed emergency levies. The County raised its bridge levies in the current budget year. This statutory priority was scored higher based primarily upon the County's exemplary planning efforts.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 403 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$26,409
% persons at or below LMI	36%
% persons at or below poverty	11.8%

The analysis for this applicant shows that the:

- median household income is 36th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 26th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 29th out of the 41 applications.

Household Economic Condition Analysis Ranking: 35th in the field of 41 applications.

Indicator 2. Target Rate (Financial) Analysis:

Bridge levy as a % of MHI	.06%
Bridge levy as it relates to the state median of .04%	1.5
Entire levy as a % of MHI	3.6%
Entire levy as it relates to the state median of 2.89%	1.25
1999 mill value as a % of 1986 mill value	124.21%
1999 bridge mills as a % of 1986 bridge mills	205%
Ratio of 1999 bridge levy to 1986 bridge levy	2.26

The County is also proposing to use \$298,596 non-property tax (PILT) funds to supplement the projected bridge budget. This represents 30% of the total bridge budget. The County has inventoried all of its bridges and prepared a county-wide plan for bridge improvements. The Applicant has also established a depreciation reserve fund for bridges. The County has completed 12 bridge projects in the past three years totaling \$519,541 in local funds for materials. The County's bridge budget as a percent of need is approximately 22%, which is generally comparable to that of the other bridge applicant.

Target Rate (Financial) Analysis Ranking: 8th in the field of 41 applications.

(Note: The financial analysis for bridge applications is unique to bridge applications only. The financial analysis provided a numerical score which was then used in place of the score normally generated for other applications through the target rate analysis. This allows bridge applications to be evaluated and ranked using the same financial assessment used for all TSEP applications.)

Overall Competitive Ranking: 20th in the field of 41 applications = 403 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
Applicant	Cash	\$665,985	Committed
Total		\$665,985	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. Realistically, the Department of Transportation provides the only other source of funds for bridge projects, and in general, controls how those funds are spent. The only other significant source of funds for bridge projects comes out of counties' budgets. As discussed in the Statutory Priority #5, the County has strongly documented that it is taking reasonable efforts to fund its bridge projects.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs.

The Applicant stated how closure of the bridges involved in this project would require various companies to use alternative routes. In addition, their current condition imposes weight limits which also restrict their use. The Applicant acknowledged that the proposed project would not result in the retention or creation of a substantial number of full-time jobs.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant acknowledged that the proposed project would not result in any business expansion, but did indicate that a well functioning transportation system is vital to the development of and expansion of local manufacturing and commercial enterprises.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the development of sound infrastructure is essential to maintaining and expanding the tax base. There are no appropriate private sector alternatives to this project, and none were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points**

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Applicant held three public hearings on this project throughout the county. Documentation included advertisements, agendas, sign-in sheets, and minutes. The meetings were not well attended with the exception of the one in Augusta. The people attending the meeting in Helena appeared to be attending for other agenda items. The poor attendance might be the result of holding the meetings during the day instead of the evening when people are not working. The public was informed of the sources of funding for this project and the fact that it would not result in an increase in their taxes. The application included eight letters of support from emergency services, one from the regional airport, one from the school district, five from local businesses that haul heavy loads, one from the chamber of commerce, and five from members of the Montana Senate and House of Representatives. The Applicant has an adopted a comprehensive ten-year CIP and the proposed bridge projects are a high priority

Environmental Impact

The Uniform Environmental Checklist was prepared by the County's development officer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 21****APPLICANT: TOWN OF DRUMMOND****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$292,850 Grant	\$ 43,885 CDBG Grant
		\$100,000 RRGL Grant
		\$ 10,175 EPA Grant
		\$148,970 SRF Loan
Total	\$292,850	\$303,030

Project Total: \$595,880

Percent Matching Funds:	51%	Existing Combined Monthly Rate:	N/A
Population:	282	Target Monthly Wastewater Rate:	\$9.12
Number of Households:	181	Monthly Rate With No Assistance:	\$30.94
Number of Total Hookups:	223	Monthly Rate With TSEP Funding:	\$19.99
Median Household Income:	\$15,208	Variance From Target Rate:	219%
Existing Monthly Water Rate:	N/A		
Existing Monthly Wastewater Rate:	\$14.87		

Project Summary:

Problem - The Town's wastewater system has several deficiencies including:

1. the 1.5 mile outfall line picks up to 0.3 MGD of infiltration and inflow at times during the year,
2. the existing inlet line is leaking, causing short-circuiting, and
3. only half of the lagoon cell is effectively used.

Proposed Solution - The proposed project would replace the 1.5 mile outfall line to the existing lift station, and construct a new inlet manhole at the northeast corner of the lagoon.

This project received 3,735 points out of a possible 5,500 points.**This project ranked 21st out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: \$292,850**

1. The wastewater rates charged to households would be 219% of the target rate with TSEP Assistance and 339% without, which indicates a serious affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies in the wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the application documents serious deficiencies with the Town's wastewater system, however, there is no documentation of urgent or serious impacts on the public health or safety of the residents. The DOC review engineer stated that the degraded treatment efficiency of the existing system has the potential to adversely affect the public health and safety of residents downstream. The DOC review engineer stated that while this is a worthwhile project, it is not needed to address significant health and safety threats to residents.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that the project is not necessary to meet any state or federal directives. The facility clearly violates the 85% BOD removal provision of the Applicant's discharge permit with DEQ due primarily to the severe infiltration problem. The DOC review engineer stated that the project will eliminate infiltration within the outfall line which will improve the treatment efficiency of the lagoon. However, the DOC review engineer also stated that it is questionable whether the lagoon will meet the numerical permit limits and/or the 85% removal requirement once infiltration is eliminated due to the existing design deficiencies with the lagoon. The DOC review engineer added that it is important to note that replacement of the outfall line is the highest priority for improvement of the wastewater system and that this project represents a logical first step in improvements needed to the Town's wastewater system.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the Applicant's draft facility plan thoroughly investigated all reasonable alternatives for addressing the deficiencies with the Town's wastewater system. The alternative chosen by the Town is feasible and provides a long-term solution to the deficiencies with the outfall line. However, the DOC review engineer also stated that the community did not choose the most efficient, appropriate and cost-effective option for addressing its public facility need when they went against the recommendation of their engineer. The DOC review engineer added that documentation justifying the selection of the chosen alternative instead of the one recommended by the engineer was not included in the application.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

The project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The Town has an average public health threat that would be corrected by the project, even though TSEP participation is extremely important to enable this project to proceed.

The Applicant recently completed improvements to the facility's discharge structure and has gradually raised sewer user rates in order to prepare for the time when large-scale improvements are warranted. No specific planning efforts were discussed by the Applicant.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 575 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$15,208
% persons at or below LMI	66%
% persons at or below poverty	20.20%

The analysis for this applicant shows that the:

- median household income is 5th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 1st out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 9th out of the 41 applications.

Household Economic Condition Analysis Ranking: 2nd in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$14.87	163%
Monthly Rate With No Assistance	\$30.94	339%
Monthly Rate With Assistance	\$19.99	219%

Target Rate Analysis Ranking: 1st in the field of 41 applications.

Overall Competitive Ranking: 1st in the field of 41 applications = 575 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$148,970	Letter of Intent Received for \$50,000
EPA	Grant	\$ 10,175	Have Not Yet Applied
CDBG	Grant	\$ 43,885	Will apply in 1999
Total		\$303,030	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 200% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the or wastewater system.

The Applicant stated there is no reasonable way to determine whether jobs will be created or retained as a result of the proposed project. The Applicant also stated that it can be assumed that the facility improvement cannot hurt the prospect for job creation and retention.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that it is unknown whether or what variety of businesses may be interested in locating or expanding in Drummond. However, the proposed project should not negatively affect any business expansion in Drummond.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the construction of adequate wastewater treatment facilities could increase the value and resultant tax base of all existing homes and businesses in the Drummond area. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Town held a public hearing in March of 1998 to discuss the existing system's deficiencies, proposed solutions, expected user rate impacts and the available funding sources. There were 13 people at the meeting. Seven people appeared to be associated with the project and six appeared to be local citizens. A copy of the minutes from the public hearing was included in the application. The Town also sent out a newsletter in March of 1998. The newsletter described the problem, proposed improvements and projected user rate impacts. The Applicant included a copy of the newsletter with the application. The Town's only utility infrastructure is the sewer system. The facility plan included with the application represents the Town's planning efforts relative to public facility needs.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 22****APPLICANT: SOUTH HILLS WATER & SEWER DISTRICT, YELLOWSTONE COUNTY****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$100,000 District
		<u>\$435,000 SRF Loan</u>
Total	\$ 500,000	\$535,000

Project Total: \$1,035,000

Percent Matching Funds:	52%	Existing Combined Monthly Rate:	\$62.11
Population:	558	Target Combined Monthly Rate:	\$39.73
Number of Households:	107	Monthly Rate With No Assistance:	\$117.57
Number of Total Hookups:	110	Monthly Rate With TSEP Funding:	\$91.11
Median Household Income:	\$24,076	Variance From Target Rate:	229%
Existing Monthly Water Rate:	Combined		
Existing Monthly Wastewater Rate:	Combined		

Project Summary:

Problem - The District's water system has the following deficiencies:

1. noncompliance with the Montana Public Water Supply Act,
2. failure to use approved surface water treatment techniques, and
3. inadequate water filtration.

Proposed Solution - The proposed project would install a membrane filtration plant and disinfection facilities.

This project received 3,660 points out of a possible 5,500 points.**This project ranked 22nd out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: \$500,000 (contingent upon funding availability).**

1. The wastewater rates charged to households would be 229% of the target rate with TSEP Assistance and 296% without, which indicates a serious affordability problem for the ratepayers
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM**Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points**

There are several deficiencies in the District's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the District currently utilizes surface water (as determined by DEQ) for their water supply. The only approved form of treatment at this time is disinfection. The water system is in violation of the Surface Water Treatment Rule and the District is under a DEQ Administrative Order to have a new filtration system fully operational by January 1, 2000. This order requires the District to bring it's water supply into compliance with the Administrative Rules of Montana which requires each public water supply system with a surface water source or a groundwater source under the direct influence of surface water to provide treatment which meets the treatment technique requirements of the rule. This problem is existing, continual and chronic. This system was originally built in violation of DEQ approved plans and specifications, and has been out of compliance since original construction. The risk of contamination of the water supply will continue until improvements are made to the system. Though serious illness has not occurred, the current form of treatment offers essentially no protection against contamination by giardia and cryptosporidium, which are known to exist in the Yellowstone River.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS**Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points**

The DOC review engineer stated that the proposed project is necessary to comply with a state directive. The DEQ has issued an Administrative Order to the South Hills Water and Sewer District requiring the district to bring it's water supply into compliance with the Administrative Rules of Montana and the Surface Water Treatment Rule. As a result of the deficiencies in the public water supply system, there is a significant threat the public health and safety. However, it is difficult to determine if the recommended alternative is an appropriate and long-term solution to the problem as discussed in Statutory Priority #3.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN**Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points**

The DOC review engineer stated that it is difficult to determine if the recommended alternative is an appropriate and long-term solution to the problem. Though membrane filtration will most likely solve the communities needs, seemingly viable alternatives presented in past reports were not discussed. Extensive pilot testing is still required on the alternative presented in the preliminary engineering analysis. Alternative filtration technologies (i.e. membrane filtration) are approved by DEQ only on a case by case basis. DEQ also had several concerns that will need to be addressed before approval of the project is granted. Concerns included water rights, design populations, needed improvements to the infiltration gallery, system storage, and pre-treatment of membrane filter backwash water. Compared to the analysis and documentation presented in other similar applications, the DOC review engineers felt that this analysis was inadequate.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in a average benefit to the public commensurate with the amount of financial assistance requested. The District has a serious public health threat that would be corrected by this project, and TSEP participation is extremely important to enable this project to proceed. However, the DOC review engineer stated that it is difficult to determine if the recommended alternative is an appropriate and long-term solution to the problem.

The Applicant's commitment to long-term planning is demonstrated by its decision to fund the improvements with a shortfall levy paid by current residents and undeveloped property owners. The shortfall levy was instituted almost five years ago after DEQ cited the District for failure to comply with the surface water treatment rule. The shortfall levy assessment was determined to be the most equitable for both developed and undeveloped property owners within the District. The Applicant stated that the District has an adequate sewer system, roads, and other infrastructure to serve up to 450 households.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 500 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$24,076
% persons at or below LMI	48%
% persons at or below poverty	12.6%

The analysis for this applicant shows that the:

- median household income is 29th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 12th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 23rd out of the 41 applications.

Household Economic Condition Analysis Ranking: 23rd in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$62.11	156%
Monthly Rate With No Assistance	\$117.57	296%
Monthly Rate With Assistance	\$91.11	229%

Target Rate Analysis Ranking: 1st in the field of 41 applications.

Overall Competitive Ranking: 8th in the field of 41 applications = 500 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
District	Cash	\$100,000	Committed
SRF	Loan	\$435,000	Applied
Total		\$535,000	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant stated that the District considered obtaining funds through the various state and federal agencies, but that other funding options were not favorable to the District because of loan terms and interest rates. The Applicant stated that the LMI and MHI levels would make the District ineligible for either CDBG or RD funding.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 200% or greater of target rate without TSEP participation.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 1, 80 Points

The proposed project would not provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The proposed project represents an infrastructure improvement that serves a residential area.

The Applicant stated that they anticipate a 50% decrease in lot sales and home construction because of the DEQ administrative order placed upon the District. This consequently has had an adverse effect on the construction and real-estate industry. Letters of support for this project were provided by the developer and the homeowners association.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 1, 60 Points

The proposed project would not provide public facilities necessary for the expansion of a business that has a high potential for financial success. The proposed project represents a general infrastructure improvement that does not appear to be necessary to any business development, since the area served by the project is residential only.

The Applicant stated that development in the project area has slowed since the DEQ order. Home buyers who purchase real-estate in the District cannot participate in federal loan programs due to noncompliance with state and federal standards.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 2, 80 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of developed residential property only.

The Applicant stated that the inadequate water filtration discourages expansion of the tax base by reducing lots sales and construction of new homes. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant held one public hearing on May 19, 1998. The hearing was conducted by the County Commissioners and was held at 9:30 a.m. in a location outside of the District. Despite the time of the hearing, there were approximately 20 citizens in attendance. A sign-in sheet was provided in the application, as well as the minutes to the hearing, newspaper clippings, and a legal notice. The Applicant stated that a flyer was posted at five different locations around the District to notify residents and property owners of the hearing. The different financing alternatives and user rate increases were discussed during the hearing. Support for the project was expressed in a letter submitted by the Briarwood Homeowners Association. The letter stated that the Briarwood homeowners voted unanimously at a recent membership meeting to support the grant request and to move quickly and prudently with necessary filtration requirements. Additional letters of support for the proposed project were provided by the Yellowstone County Commissioners, and the primary developer in the District. The Applicant stated that the District holds monthly homeowners meetings and that residents have been informed about the water

filtration problem and health risks. There was no documentation provided which verified the monthly homeowners meetings.

Environmental Impact

The Uniform Environmental Checklist was prepared by a non-profit grant writer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 23****APPLICANT: CITY OF HELENA****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$6,200,000 SRF Loan
		<u>\$2,500,000 City</u>
Total	\$ 500,000	\$8,700,000

Project Total: \$9,200,000

Percent Matching Funds:	95%	Existing Combined Monthly Rate:	\$55.00
Population:	27,000	Target Combined Monthly Rate:	\$42.01
Number of Households:	8,039	Monthly Rate With No Assistance:	\$61.57
Number of Total Hookups:	9,384	Monthly Rate With TSEP Funding:	\$61.12
Median Household Income:	\$25,462	Variance From Target Rate:	145%
Existing Monthly Water Rate:	\$42.78		
Existing Monthly Wastewater Rate:	\$12.22		

Project Summary:

Problem -- The City's water system has several deficiencies including:

1. water distribution improvements are needed on the east side of the City,
2. inadequate water storage prevents new development, and limits water use, on the east side of the City,
3. fire flow improvements are needed,
4. the Missouri River Water Treatment plant is old and failing, and
5. the treatment plant can not meet proposed federal safe drinking water regulations, anticipated to become effective within 5 years.

Proposed Solution - The proposed water project would construct a new pumping and distribution network, a new reservoir on the east side of the City, and a new clear well and pumping station to address inadequate fire flows and water pressures on the east side of the City. The City would also explore and drill for groundwater as an alternative source of water, as opposed to upgrading the existing Missouri River Treatment Plant. If the groundwater option proves not to be feasible, the City will revert to plans to build a new Missouri River Treatment Plant.

This project received 3,635 points out of a possible 5,500 points.

This project ranked 23rd out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: \$500,000 (contingent upon funding availability).

1. The wastewater rates charged to households would be 145% of the target rate with TSEP Assistance and 147% without, which indicates an affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are deficiencies in the City's water system as identified in the Project Summary on the preceding page. According to the DOC design engineer a moderate deficiency exists in the community's water system, serious circumstances attributable to the deficiency could occur in the event of a major fire in an area where fire flows are inadequate. The problem is probable, and occasional, and there is no documentation from state or federal agencies included in the application that substantiates the seriousness of the problem. The application and the Applicant's water master plan confirm that existing water supply is adequate to satisfy current demand, and existing distribution system is adequate to deliver maximum daily water usage. It appears that the only current need is with respect to fire flows in isolated sections of the city. Fire flow deficiencies were not identified in the application in areas where vital public services are located, such as the hospital, schools, etc. There was no documentation from the State Fire Marshall or other expert agencies as to the seriousness of the fire flow deficiencies.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The Applicant is not currently under a state or federal compliance mandate or agency directive to implement improvements, although the existing Missouri River Treatment Plant will likely not be able to produce water which meets new pending regulations. The water system does not currently violate a state or federal health or safety standard. However, poor fire protection represents a threat to public safety and health. There was no documentation in the application from the State Fire Marshall or other expert agencies as to the seriousness of the fire flow problem, nor to the degree of the Applicant's lack of compliance with the state or federal fire flow standards.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The proposed improvements affect a significant percentage of the City's users with respect to adequate water supply and fire protection in the short term. Long term effects will be the provision of adequate water supply for the entire community to meet future demands, pending new regulations and fire protection needs. The Applicant has considered appropriate engineering alternatives and has developed a staged approach to rectifying immediate water system needs first, and long-term needs later. The Applicant has identified areas in the existing distribution system which would experience inadequate fire flows. The DOC review engineer stated that one reason the Applicant's engineering design was not

ranked higher was that supporting documentation in the form of modeling simulated fire flows is lacking. The only modeling included with the application shows that the distribution system can handle maximum daily water demand. The water system is already metered.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 4, 560 Points

This project would result in an above average benefit to the public commensurate with the amount of financial assistance requested. The City has an average public health threat that would be corrected by this project, and TSEP participation is moderately important to enable this project to proceed. However, this priority was scored higher because of the City's sound planning efforts.

In terms of planning, the Applicant stated that the improvements would help the City serve more residents and properties which may desire annexation into the City. Expanding the number of customers served allows the City to spread the costs over a larger population, thus keeping each households cost more reasonable. The Applicant stated that the City has a water master plan and a wastewater facility plan. The water master plan is used as a capital investment program for the water improvement needs, and covers a 20 year period. These plans provide data for updating the City's comprehensive plan. The Applicant did not state whether the City has an overall CIP for its major public facilities. There was no CIP included in the application. The Applicant stated that the City analyzes its budget each year to make sure the water system operation is adequately funded. The City is currently studying increasing the development fees charged for the water system and the feasibility of instituting impact fees to pay for improvements needed by new development. The City has established an annual water main, manhole, and hydrant replacement program. The City has installed water meters on all residences and businesses. To promote financial efficiency, the City has a plan to upgrade the efficiency of reading meters by hiring two additional meter readers, reading all meters once a month, and installing remote readers on all meters.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 335 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$ 25,462
% persons at or below LMI	35%
% persons at or below poverty	11.60%

The analysis for this applicant shows that the:

- median household income is 33rd out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 30th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 31st out of the 41 applications.

Household Economic Condition Analysis Ranking: 31st in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$55.00	131%
Monthly Rate With No Assistance	\$61.57	147%
Monthly Rate With Assistance	\$61.12	145%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 25th in the field of 41 applications = 335 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
SRF	Loan	\$6,200,000	On SRF Priority List
City of Helena	Cash	\$2,500,000	Committed
Total		\$8,700,000	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant said that the TSEP grant and SRF loan package was appropriate. The Applicant said that the City had investigated other sources of loans and that the other sources had much higher interest rates. However, the application did not provide any specific details nor analysis on the other sources of loans. The Applicant's financial package is reasonable.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did

not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that the planning and construction of the water improvements would help with the retention of City government public works staff, engineering consultants, and (short term) construction jobs. The Applicant did not discuss the potential or actual creation of jobs by new private businesses as a direct result of the project.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that there are no specific businesses that are associated with the project. The Applicant noted that the project will have a positive future impact on new businesses. The water improvements will help facilitate the annexation of properties and new development into Helena in the future.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant said that the improvements would help new developments meet City standards and fire codes. No appropriate private sector alternatives to this project were identified. The Applicant did discuss the possibility of private developers building small systems, as an alternative to part of the project. However, the Applicant said that is beneficial to the City to have one large facility, instead of several smaller ones which may not be constructed to City specifications.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant stated that the water master planning process began in 1995. Three different citizens groups have assisted the City in the planning process -- the Water Master Plan Citizens Advisory Group, the "Now" group exploring groundwater issues, and a group which is being formed to study water conservation measures. The Applicant provided documentation of these meetings including minutes and sign-in sheets.

The City raised water rates in 1997, which was preceded by a public hearing. Another public hearing was held on June 9, 1997 to receive comment on the water master plan and a legal notice was provided. The proposed TSEP project is part of the water master plan. The application did not contain minutes for this hearing. The City held many open houses to educate citizens regarding the water master plan. There were newspaper articles in the application which discussed planned water rate increases.

The Applicant stated that the City adopted a 20 year water master plan, and the TSEP project was its main emphasis. The City has also adopted a wastewater master plan. However, the Applicant did not state whether the City has an overall CIP which integrates needs, financing, and planned improvements for several public facilities (such as water, wastewater, streets, and other facility types). There was no overall CIP included in the application.

Environmental Impact

The Uniform Environmental Checklist was prepared by the City Engineer. The DOC review engineer stated that the application did not contain documentation that the Applicant had consulted with the seven state and federal agencies regarding potential environmental impacts, as required by the TSEP Uniform Application Supplement. It is not clear whether the Applicant has contacted the agencies. If the TSEP project is funded, it is recommended that the Applicant consult with and mitigate any environmental issues which could be raised by these agencies. The Applicant did not identify any anticipated adverse long-term environmental impacts.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 24****APPLICANT: CITY OF RED LODGE****Type of Project: Wastewater System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 125,000 City
		\$4,284,000 RD Loan
Total	\$ 500,000	\$4,409,000

Project Total: \$4,909,000

Percent Matching Funds:	89.9%	Existing Combined Monthly Rate:	\$41.76
Population:	2,255	Target Combined Monthly Rate:	\$28.67
Number of Households:	1,101	Monthly Rate With No Assistance:	\$59.16
Number of Total Hookups:	1,265	Monthly Rate With TSEP Funding:	\$57.20
Median Household Income:	\$17,375	Variance From Target Rate:	200%
Existing Monthly Water Rate:	\$22.52		
Existing Monthly Wastewater Rate:	\$19.24		

Project Summary:

Problem -The City's wastewater system has several deficiencies including:

1. DEQ will not allow expansion beyond the existing approved hookups without improvements to the treatment facility if it means potential degradation of Rock Creek,
2. lagoon ponds are at capacity and incapable of meeting new non-degradation regulations beyond current levels,
3. cells are unlined resulting in a 30%-50% loss of effluent to the subsurface,
4. cells are undersized for current flows,
5. lagoon discharges into an open drainage ditch which runs through private property, and
6. infiltration and inflow affects efficient treatment of waste at the lagoons.

Proposed Solution - The proposed project is Phase I of a "split treatment" facility which uses at least two different kinds of treatment technology. This phase of the project will line and add aeration to the lagoons and an outfall line to Rock Creek will be installed. New storm water collection laterals will be installed in the downtown area draining east to the existing Haggin storm drain.

Phase II of the project will involve the installation of a land application system to provide nutrient removal. Construction of Phase II is anticipated in four to six years, contingent upon funding availability.

This project received 3,504 points out of a possible 5,500 points.**This project ranked 24th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: \$500,000 (contingent upon funding availability).

1. The wastewater rates charged to households would be 199% of the target rate with TSEP Assistance and 206% without, which indicates a serious affordability problem for the ratepayers.
2. Based on the methodology used in DOC's financial gap analysis, the Applicant does not appear to have the financial capacity to borrow the funds requested as an alternative to receiving a TSEP grant.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the City's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that there is potential for the deficiencies with the wastewater system to cause environmental pollution and the deficiencies have the potential to threaten public health and safety. The entire community is adversely affected by the deficiencies with the wastewater system. The problems are existing, continual and chronic. The DOC review engineer stated that the application included written documentation of the system deficiencies from DEQ. DEQ has mandated a moratorium on future sewer hook-ups, until the City has an approved plan for addressing compliance with the non-degradation rules. The moratorium does not affect undeveloped lots within subdivisions which were previously approved for hook-up. However, there is no documentation to date from DEQ requiring the City to address permit violations. This project addresses serious deficiencies with the wastewater system.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated the proposed project is not necessary to comply with a state or federal agency court order or directive. However, the project is necessary to address compliance with DEQ's non-degradation rules. Until non-degradation is addressed to DEQ's satisfaction, the sewer hook-up moratorium currently enforced by DEQ will not be lifted. There is clear documentation that the wastewater facility does not meet DEQ standards. The documented deficiencies have the potential to adversely impact public health and safety. The proposed project will allow the facility to meet all state and federal health and safety standards identified within the engineering report. However, the engineering report did not address ammonia toxicity. The Preliminary Statement of Basis for the City's new discharge permit includes a concentration limit for ammonia. The proposed concentration limit is relatively stringent and it is fairly likely that the proposed system will not be able to meet this requirement during the winter months.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points

The DOC review engineer stated that the project incorporates an appropriate, cost-effective technical design for resolving the City's wastewater needs except the proposed ammonia limit. The proposed phased approach to implementation of the system appears sound. The proposed project, Phase I, is a complete component of an overall program. However, the DOC review engineer stated that a component

of the new discharge permit, ammonia toxicity, was not addressed for the proposed system and will likely be a significant issue. The proposed project may not be able to meet the proposed permit limits for ammonia. The DOC review engineer stated that the cost estimates were not sufficiently detailed to evaluate whether they were accurate and a cost estimate for Cell #3 was omitted from the cost table and may result in the project being under funded by up to \$1,000,000.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

The project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The City has a relatively serious public health threat and TSEP participation is extremely important to enable this project to proceed. However, there were serious concerns by the DOC review engineer about the proposed project as discussed in statutory priority #3. The City completed a sewage facilities plan in 1976 along with a water system analysis. A CIP was prepared for the City in 1993. Since that time, projects have been completed in accordance with the CIP and the sewage facilities plan. Both plans have been updated, with a new facility plan completed in 1996, and revised in 1998. In addition, a master plan was adopted in 1995 and has served as a guide for local planning efforts. Following the 1997 election, a resort tax was implemented by the City. Twenty-five percent of total tax revenues will be directed for capital improvements to the wastewater system.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 464 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$17,375
% persons at or below LMI	46%
% persons at or below poverty	14.7%

- The analysis for this applicant shows that the:
- median household income is 8th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 15th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 18th out of the 41 applications.

Household Economic Condition Analysis Ranking:11th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$41.76	146%
Monthly Rate With No Assistance	\$59.16	206%
Monthly Rate With Assistance	\$57.20	200%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 13th in the field of 41 applications = 464 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
City	Cash reserves from the sewer enterprise fund	\$ 125,000	Committed
RD	Loan/Grant	\$4,284,000	Applied/No Decision
Total		\$4,409,000	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. All appropriate funding sources were discussed and reasonable explanations were provided for not utilizing the other funding sources. The Applicant stated that because of an active CDBG project it is not eligible to apply for further funding. The Applicant stated that the 20 year term for SRF puts a greater burden on user fees than the proposed funding source. The Applicant stated that the ten year term associated with INTERCAP is not adequate for affordability and the interest rate is higher than the proposed loan source. The Applicant stated the loan terms associated with DNRC funds are not the most favorable for the City, and the current market rate for a revenue bond is anticipated to be higher than the proposed funding source.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project begin able to proceed. With TSEP participation, the Applicant will have user fees 200% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant provided newspaper articles and documentation from a business that listed the building moratorium in relation to the City's sewage issue as one of the reasons a 60 unit assisted living facility was not proceeded with. The Applicant also discussed how the City's active business district relies heavily on tourism. The Applicant provided newspaper articles relative to a feasibility study being done for a cultural/convention center.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant stated that development is limited because DEQ will not allow expansion beyond the existing approved hookups without improvements to the treatment facility if it means potential degradation of Rock Creek. The Applicant stated that no specific business expansion requires the participation of TSEP to proceed. However, the Applicant stated that adequate infrastructure is essential for business development.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the project will maintain and encourage the expansion of the private property tax base by providing the City with the ability to add users to its wastewater system. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 100 Points**

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the

estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Applicant stated that the need for improvements to the wastewater facility had been discussed frequently at council meetings, and press coverage throughout the process had been extensive. The Applicant included documentation of a public hearing held in May of 1998 which was attended by fourteen people. The Applicant included the sign-in sheet and minutes of this meeting which indicated that the cost of the project per household was addressed. Also included in the application were numerous newspaper articles relative to the sewer system and the results of a capital needs survey which was conducted in July of 1997. This survey indicated that 60% of the respondents felt that sewer system improvements should be top priority for the City. A CIP was prepared for the City in 1993. In 1997, an updated CIP was completed to reflect changes in priorities and needs. The improvements to the treatment facility were ranked as the second priority to a water line replacement project currently under construction. The Applicant stated that a master plan was adopted in 1995 and has served as a guide for local planning efforts.

Environmental Impact

The Uniform Environmental Checklist was prepared by the grant writer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 25****APPLICANT: TOWN OF CHESTER****Type of Project: Water System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$220,150 Grant	\$ 70,800 Town
		\$149,350 RD Grant
Total	\$220,150	\$220,150
Project Total:	\$440,300	

Percent Matching Funds:	50%	Existing Combined Monthly Rate:	\$39.00
Population:	942	Target Combined Monthly Rate:	\$37.13
Number of Households:	394	Monthly Rate With No Assistance:	\$46.79
Number of Total Hookups:	469	Monthly Rate With TSEP Funding:	\$44.19
Median Household Income:	\$22,500	Variance From Target Rate:	119%
Existing Monthly Water Rate:	\$23.00		
Existing Monthly Wastewater Rate:	\$16.00		

Project Summary:

Problem - The Town's water system has several deficiencies, including:

1. no control system for the water treatment plant,
2. inadequate water pressure (less than 20 psi) and inadequate fire protection,
3. dead ends and undersized mains,
4. health hazards from possible reverse flows,
5. portions of the distribution system are prone to freeze-ups,
6. water service connections made of lead,

Proposed Solution - The proposed project would replace inadequate water mains and service connections, construct water hydrants, and install a control system at the water treatment plant. (This project would be phase two of the Town's overall water system improvements)

This project received 3,400 points out of a possible 5,500 points.

This project ranked 25th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: No funding.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are deficiencies in the Town's water system as identified in the Project Summary on the preceding page. Among other things, the DOC review engineer stated that the water system has distribution system deficiencies, such as undersized and dead-end mains and insufficient fire flow. The Town is operating its water distribution system at peak capacity during the summer months. The system is experiencing frequent problems with low pressures and many areas in the west end of town have operating pressures below 20 psi outlined in the DEQ, WQB-1 standard. If a fire were to occur on a peak water usage day, it is doubtful that sufficient water volume would be able to fight the fire. A 1996 letter from ISO Commercial Risk Services, Inc. stated the fire protection rating or classification of the Town's ISO rating was reduced from 7 to 8. The affect of an ISO rate change of 7 to 8 is an approximate 20% increase in the cost of insurance for commercial buildings. The existing treatment plant control system is outdated and unreliable. Compliance with monitoring rules of the Surface Water Drinking Act are becoming difficult for the Town. Failure of the control system at the treatment plant could also threaten public health and safety. The DOC review engineer stated that the application did not include any written documentation from state or federal agencies which could have substantiated the degree of seriousness of the water system deficiencies. The Applicant did not document any actual past safety problems or property loss. The seriousness of the water system deficiencies is "potential" and over time could be considered "probable."

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that neither the treatment plant control system nor the water distribution system, is under a state or federal mandate to perform the proposed improvements. However, the control system and distribution system is deficient under some of the standards of the DEQ, ISO, and the Uniform Building Code. The application included the "1996 Water System Analysis" report, and the 1998 update report, which discussed the pressure, treatment control and usage problems. The Applicant has addressed the stated problems and has provided a reasonably complete long-term solution.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The water system improvements are proposed to be completed in two phases and the defined scope of work for the TSEP funded project (phase 2) represents a reasonable component of the overall water improvements program. The Applicant's proposed project has addressed the water system needs and has provided a reasonably complete long-term solution to meet the stated needs. The design and construction complexities of the proposed improvements to the existing treatment plant control system and the water distribution system are minimal. The proposed system improvements and modifications are reasonable and represent an efficient, appropriate and cost effective design and construction approach to the Town's water system usage, control and pressure needs. The Town is installing water meters as part of the phase 1 improvements (to be completed prior the proposed TSEP funded improvements).

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The Town has an average public health threat that would be corrected by the proposed project, and TSEP participation is moderately important to enable the project to proceed.

The Applicant stated that the Town is part of the Bear Paw Economic Development District which conducts ongoing planning for its members. The Town approved an overall CIP on May 12, 1998. The proposed TSEP water project was identified as the Town's highest priority need. The CIP includes priorities for the water system, streets, curbs gutters, and water and sewer extensions.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 280 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need

Indicator 1. Household Economic Condition Analysis:

MHI	\$ 22,500
% persons at or below LMI	36%
% persons at or below poverty	12%

The analysis for this applicant shows that the:

- median household income is 23rd out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 26th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 26th out of the 41 applications.

Household Economic Condition Analysis Ranking: 25th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$39.00	105%
Monthly Rate With No Assistance	\$46.79	126%
Monthly Rate With Assistance	\$44.19	119%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 33rd in the field of 41 applications = 280 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RD	Grant	\$149,350	Commitment "Pending"
Town	Cash	\$70,800	Committed
Total		\$220,150	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. In addition to the funding sources in the Town's proposed financial package, the Applicant reviewed and discussed the appropriateness of CDBG, SRF, and a conventional revenue bond. The Applicant clearly stated the reasons why these funding options were not appropriate for the proposed project. The Applicant adequately evaluated all reasonable funding sources and has applied to those programs for which it is eligible and appropriate. It appears the Applicant has either used or has analyzed all appropriate funding sources for the project.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an

infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide clear documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that the project would help the Town maintain its economic base, including employment at several businesses. The water system serves the Wiese Corporation which has ten employees. A letter from the Corporation stated that the proposed project will increase water pressure and that "low water pressure can cause problems and is a factor limiting our ability to increase the size of the operation." The letter also said the project would increase the Town's water storage, thus, allowing better fire protection, and that the improvements were "extremely important" to the company. The Wiese Corporation also owns the Town's industrial park. There was no additional documentation in the application as to if and when the Corporation might expand their operation or if it would result in additional employees being hired. In general, there was no explicit documentation that the water improvements would definitely result in the expansion of the business or the hiring of additional employees.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide clear documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant said that the project will greatly improve the ability of any existing business to expand if business conditions merit such a change. The Applicant stated that Superior Feeds Company "may be able to expand in the near future." There was no business plan nor detailed expansion information for the Superior Feeds Company. In addition, see comments in Statutory #7, relating to the Wiese Corporation. There is no clear documentation that the TSEP water project would definitely and directly result in a business expansion.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the water improvements will enhance fire protection, which will benefit businesses as well as households. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant stated that the public was first informed about the project in 1995. A newspaper article was included. A public meeting was held in April of 1996, with 35 people attending and the public was specifically informed of the proposed monthly water rate increase. Documentation included a legal ad, sign-in sheets, minutes, and two newspaper articles. In May of 1998, a public hearing was held on the project prior to submission of the TSEP application. Documentation included a legal ad, minutes, sign-in sheet, and two newspaper articles. One article was very detailed and included a detailed budget for all the funding sources for the proposed project. The minutes of the hearing indicated that the public was informed of the amount of the proposed increase in monthly rates. The Applicant stated that there was some opposition to the installation of water meters by some persons attending the hearing, however, these persons did support the need for the overall project. Fifteen persons attended the hearing. An overall CIP was adopted by the Town in May of 1998. The proposed water project is priority #1 in the CIP.

Environmental Impact

The Uniform Environmental Checklist was prepared by the Bearpaw Development Corporation. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. The Town has contacted the DEQ regarding solid waste issues, and they have recommended several mitigation measures be incorporated into the construction phase. Some mitigation measures will be needed to avoid disruption of traffic flows. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 26****APPLICANT: WILLOW CREEK SEWER DISTRICT, GALLATIN COUNTY****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$200,000 CDBG Grant
		\$100,000 RRGL Grant
		\$102,000 RD Grant
		\$124,400 RD Loan
		<u>\$ 5,000 District</u>
Total	<u>\$ 500,000</u>	\$531,400

Project Total: \$1,031,400

Percent Matching Funds:	52%	Existing Combined Monthly Rate:	NA
Population:	192	Target Monthly Wastewater Rate:	\$14.84
Number of Households:	77	Monthly Rate With No Assistance:	\$53.64
Number of Total Hookups:	83	Monthly Rate With TSEP Funding:	\$28.15
Median Household Income:	\$24,728	Variance From Target Rate:	190%
Existing Monthly Water Rate:	N/A		
Existing Monthly Wastewater Rate:	\$22.40		

Project Summary:

Problem - The District's wastewater treatment system has outgrown the capacity of its treatment system which is now frequently overloaded. Raw or partially treated wastewater is discharged from the plant, resulting in a built up of sludge in a drainage ditch that leads from the treatment plant to the Jefferson River.

Proposed Solution - The proposed project would construct a lagoon treatment system.

This project received 3,360 points out of a possible 5,500 points.**This project ranked 26th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 5, 1,000 Points

There are several deficiencies in the District's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that a serious public health situation exists in due to the regular discharge of untreated. The plant has been cited for discharge violations (TSS, BOD and fecal coliform) 57 times since 1994. After the sewage dissipates or reaches the Jefferson River, the sludge remaining behind in the adjacent ditch continues to present a public health concern. The potential for direct or indirect human contact is high due to the treatment plant's close proximity to town. The discharge of raw sewage represents a potential health hazard and does result in environmental pollution. The problem is chronic, in that it has happened over a long period of time, but the spills are occasional. No documented cases of disease outbreak or illness have occurred. Enforcement actions for sludge, spills and effluent violations have been taken by the DEQ and the EPA. Documentation in the application substantiated the EPA action, and a telephone call to DEQ substantiated the State action. Both enforcement actions require action on the part of the District to eliminate the potential for future spills and violations.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that while a project similar to the one proposed would enable the District to comply with state and federal health standards, the reviewer had serious concerns about the proposed project as is discussed under Statutory Priority #3. As a result, this priority was scored lower because of the uncertainty with the proposed engineering and ability of the proposed project to solve the problem.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 1, 160 Points

The DOC review engineer stated that the selected alternative will work in concept. However, there is no assurance from the information submitted that it is the best approach compared to other alternatives, since it appears that the selected alternative is significantly undersized if constructed as proposed. The appropriate alternatives for evaluation were selected, but the lack of design criteria, summary of physical requirements, statement of engineering assumptions, etc., makes it impossible to determine if the analysis is appropriate or correct. To get a better understanding of the assumptions used by the design engineer, the reviewer studied the selected alternative, total retention basins, in some detail. It was determined that the assumptions for evaporation and precipitation used in all the lagoon sizing analyses was based on average year values. DEQ standards require that the analysis be based on a 1 in 10 year precipitation events. This is especially critical for a total retention system where discharge from the lagoons is not planed. With the engineer's assumption, discharge from the total retention basins might regularly occur, potentially with disastrous results, and could create conditions worse than current conditions. While alternatives other than the selected alternative were not studied in the same depth by the reviewer, it must be assumed that similar criteria and design assumptions inadequacies could be found. For this reason, the DOC review engineer felt that this project is not ready to move forward to design. An independent alternative analysis and cost estimate should be preformed before selecting a recommended approach. Discussions with DEQ staff confirmed the DOC review engineer's concerns over the level of the facility plan details. The facility plan has not been approved by DEQ. When the technical deficiencies described above are remedied, the resulting solution could be significantly higher in

cost. When compared to the technical documents submitted in similar applications, this analysis was found to be lacking in most respects.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 2, 280 Points

This project would result in a below average benefit to the public commensurate with the amount of financial assistance requested. Even TSEP funds are critical to enable the project to proceed and the District has a serious health threat, it has not been demonstrated by the Applicant that the proposed project would resolve the deficiencies described.

The District has an adopted a CIP, which is essentially a timetable for the proposed project.

The Applicant is requesting \$6,493 per household versus the \$5,000 per household limitation as provided for in the TSEP Application Guidelines. This is extremely high compared to other applications. The Applicant does not meet two of the three criteria necessary for exceeding the \$5,000 per household limitation, since 1) the combined user rates are less than 200% of the combined target rate, and 2) the Applicant has not exhausted all other reasonable funding sources, since the Applicant could increase the amount requested from CDBG to \$400,000, thereby reducing the amount required from TSEP. As a result, the amount of TSEP funding awarded if funded should not exceed \$5,000 per household for a total of \$385,000.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 420 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$24,728
% persons at or below LMI	38%
% persons at or below poverty	15 5%

- The analysis for this applicant shows that the
- median household income is 30th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 24th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 15th out of the 41 applications.

Household Economic Condition Analysis Ranking: 28th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$22.40	151%
Monthly Rate With No Assistance	\$53.64	361%
Monthly Rate With Assistance	\$28.15	190%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 18th in the field of 41 applications = 420 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES
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Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points
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FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
CDBG	Grant	\$200,000	Will apply in 1999
RD	Grant	\$102,000	Applied/No Decision
RD	Loan	\$124,400	Applied/No Decision
District	Sewer Enterprise Fund	\$5,000	Committed
Total		\$531,400	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. While the Applicant has included in its funding package most of the appropriate funding sources, it did not discuss the potential of using SRF funds which generally has lower interest rates. However, this is reasonable since RD can potentially provide a grant also.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 250% or greater of target rate without TSEP participation.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant did not specifically mention if there were any businesses in the District, but did indicate that there are five commercial hook-ups. The Applicant stated that the continued residential and commercial growth in Gallatin County is expected to reach into the area in the future. In order to accommodate this growth and the potential commercial customers the District will need to make the proposed improvements.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that currently there are no plans for any business expansion. Also see comments under Statutory Priority #7.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the proposed project would allow growth and expansion of the tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Applicant held a public hearing in February, 1998, with 22 people attending in addition to the representatives of the project. The meeting which was held in the evening was only advertised once the day before the meeting. The minutes of the meeting state that the cost of each option was discussed,

however, there were no specific amounts indicated. A public hearing was also held in April, 1998, and was advertised twice. The meeting was held in the evening and the minutes indicate that three people attended the meeting in addition to board members and their representatives. The minutes indicate that the cost per household was discussed. Documentation in the application included legal ads, an agenda, a sign-in sheet for the first meeting, and minutes. The District stated it has adopted a CIP, but it is essentially a timetable for the proposed project.

Environmental Impact

The Uniform Environmental Checklist was prepared by a consultant who assisted with the preparation of the application. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 27****APPLICANT: CITY OF COLUMBIA FALLS****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$ 100,000 RRGL Grant
		<u>\$2,677,000 SRF Loan</u>
Total	\$ 500,000	\$2,777,000

Project Total: \$3,277,000

Percent Matching Funds:	85%	Existing Combined Monthly Rate:	\$36 51
Population:	4,117	Target Combined Monthly Rate	\$38 49
Number of Households:	1,584	Monthly Rate With No Assistance:	\$57.70
Number of Total Hookups:	1,761	Monthly Rate With TSEP Funding	\$55 56
Median Household Income:	\$23,328	Variance From Target Rate:	144%
Existing Monthly Water Rate:	\$17.80		
Existing Monthly Wastewater Rate:	\$18.71		

Project Summary:**Problem** - The City's wastewater treatment plant has several deficiencies including:

1. sludge storage basin leaks significantly (333gpd), and if repaired the basin would not have sufficient capacity,
2. sludge storage basin difficult to empty,
3. degraded treatment process degraded by foaming caused by microthrix bacteria,
4. aeration basin chlorination system cannot be used in cold weather,
5. digester cannot be aerated due to foaming, which prevents the sludge from being properly stabilized,
6. feed system for phosphorous removal is not flow paced, occasionally fails, and does not have a backup,
7. return activated sludge pumps are oversized, which limits efficient sludge management, and
8. city is running out of access to land in order to continue sub-surface sludge injection.

Proposed Solution -The proposed project would add sludge dewatering facilities, a new sludge storage pad, a new digester, improve the chlorine facility and add flow place capacity for the alum feed pumps. In addition the controls for lift station 4 would be replaced and a new lift station would replace lift station 5.**This project received 3,274 points out of a possible 5,500 points.****This project ranked 27th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies in the City's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the sludge storage basin leakage problem and treatment plant deficiencies are reasonably well documented and analyzed. However, the impact of the sludge leakage and the public health risks are not well documented and rough calculations suggest a moderate impact when compared to other applicants. DEQ enforcement action is not being taken, but DEQ and other agencies have expressed concern with the condition of the existing facilities. The entire community is impacted and the deficiency will exist continually unless corrective action is taken.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that no formal state or federal enforcement is being taken. The leaking sludge storage basin clearly violates state design standards and may violate the Montana Water Quality Act if the leakage is shown to impact groundwater quality standards. Not satisfying class B sludge requirements is not a violation of state and federal law or standards if properly stored and disposed of. Not satisfying class B requirements simply limits the sludge disposal options and represents some increased public health risk due to vector contact with pathogens. Reduced treatment efficiency is not a violation if permit requirements are satisfied. Some design standards may not be satisfied such as digester volume.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that a facility plan was reviewed by the DEQ. The analysis considered all reasonable alternatives and likely resulted in the most efficient, appropriate and cost effective solution to the overall problem. Most conclusions and recommendations appear to be reasonable. However, more detail should have been provided regarding correction of foaming problem and alternatives considered. In addition, more detail could have been provided on the cost estimates and on the assumptions and methodology utilized when sizing and selecting process components. While it appears that the most appropriate solution has been recommended, the engineering analysis was not as thorough when compared to many of the other applicants.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. TSEP participation is moderately important to enable this project to proceed, and the City's public health threat is not as serious when compared to many of the other applicants.

The wastewater treatment plant has been upgraded twice since it was first built. The City is conducting a rate study to determine how the improvements can be financially supported. Rates have been raised in the past as needed (no specifics provided). The water system is metered. The Applicant has stated that the City has completed a comprehensive facility plan. Included in the application was a chapter of the water and wastewater facilities plan, identified as the CIP for the water and wastewater systems. However, there is no indication that the City has prepared a comprehensive CIP that addresses all of the City's facilities that it is responsible for maintaining.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 354 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$23,328
% persons at or below LMI	36%
% persons at or below poverty	16.2%

- The analysis for this applicant shows that the:
- median household income is 27th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 26th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 13th out of the 41 applications.

Household Economic Condition Analysis Ranking: 24th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$36.51	95%
Monthly Rate With No Assistance	\$57.70	150%
Monthly Rate With Assistance	\$55.56	144%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 23rd in the field of 41 applications = 354 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$2,677,000	Has received tentative approval, but has not yet applied.
Total		\$2,777,000	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant analyzed the use of all of the appropriate funding sources and has applied to those for which it is eligible. The Applicant stated that because of its relatively high MHI, it is not eligible for CDBG and RD.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. Without TSEP participation, the Applicant will have user fees 150% or greater of target rate without TSEP participation.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant discussed how a wastewater system is an essential part of the community and important to the existing jobs. In particular, the need for a wastewater system was discussed as it relates to the ability of two major employers (Columbia Falls Aluminum Company and Plum Creek Timber Company) to be able to retain workers. The Applicant also discussed how it is important to have an effective wastewater system to service two industrial parks and be able to attract potential firms.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any

specific businesses were dependent upon the proposed improvements being made.

The Applicant agreed that the project is not related to any specific business expansion. However, the comments provided for Statutory Priority #7 should be also considered under this statutory priority.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that in order to continue the expansion of the tax base it is essential that the city provide reliable wastewater service. No appropriate private sector alternatives to this project were identified, although the Applicant did evaluate this approach and determined it was not feasible.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The City formed a citizen steering committee which met four times in the process of developing the facility plan. A public hearing on the facility plan was held in February, 1998. Proceeding the hearing, a newsletter was sent out to all water and wastewater users describing the needed improvements. A second public hearing was held in May, 1998 on the financial plan. Both of the public hearings were advertised in the local newspaper. After the second public hearing, two additional newsletters describing the financial issues connected with the proposed project were sent out to all users. In addition, several news articles in both the local and regional newspapers also covered the infrastructure improvements needed by the city. Citizens have been adequately informed of the costs of this project through the various public hearings, newsletters and news articles. Documentation included a legal ad, an agenda, minutes, newsletters, and news articles. The application contained letters of support from four public agencies. The Applicant briefly discussed a citizen survey from 1996 that asked citizens about which services the citizens would be willing to contribute more user fees towards. The report showed that the wastewater improvements placed 6th out of 11 services. The Applicant has stated that the City has completed a comprehensive facility plan. Included in the application was the chapter of the water and wastewater facilities plan, identified as the CIP for the water and wastewater systems. However, there is no indication that the City has prepared a comprehensive CIP that addresses all of the City's facilities that it is responsible for maintaining.

Environmental Impact

The Uniform Environmental Checklist was prepared by the city manager. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 28****APPLICANT: LACASA GRANDE WATER & SEWER DISTRICT, LEWIS AND CLARK COUNTY****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,000 Grant	\$100,000 RRGL Grant
		<u>\$445,000</u> SRF Loan
Total	\$ 500,000	\$545,000

Project Total: \$1,045,000

Percent Matching Funds:	52%	Existing Combined Monthly Rate:	NA
Population:	500	Target Monthly Water Rate:	\$29.78
Number of Households:	156	Monthly Rate With No Assistance:	\$58.52
Number of Hookups:	156	Monthly Rate With TSEP Funding:	\$31.40
Median Household Income:	\$28,359	Variance From Target Rate:	105%
Existing Monthly Water Rate:	\$28.00		
Existing Monthly Wastewater Rate:	NA		

Project Summary:

Problem - The existing water system is owned and operated by a private company. The District has not been able to negotiate an agreement with the owner of the existing system either to improve the system or to transfer ownership of the system to the District. The private water system has the following deficiencies:

1. fire protection is at a minimum. The local volunteer fire department does not recognize the current water system as a useable source for fire suppression due to low water pressure,
2. the four wells currently being utilized provide an inadequate water supply to satisfy water use demands, and
3. lack of water prevents lawns from being irrigated to mitigate the lead contamination from the ASARCO lead smelter, thus creating a potential adverse health impact to children

The Proposed Solution - The proposed project would construct a new water system. The new system would include one well, a 100,000 gallon water storage tank, fire hydrants, water mains, and water services.

This project received 3,273 points out of a possible 5,500 points.**This project ranked 28th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the District's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that significant deficiencies exist in the District's water system. These deficiencies have resulted in lack of adequate water and low operating pressures. The limited water availability has restricted irrigation of residential landscaping which may be aggravating a public health problem related to lead contaminated soils. Furthermore, the low flows in the system and lack of storage limits fire protection, which increases the potential risk to life and property. The existing owner of the water system, a private individual, has not been willing to make all of the needed improvements to the system.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 4, 720 Points

The DOC engineer stated that the proposed project will provide greatly needed improvements for the District and will bring the system up to current design standards (WQB-1). It will remove the water supply system from a private owner who has not been willing to update the system and make needed improvements. Improved irrigation potential, better dust control and fire protection will be created by this project. Presently, no specific enforceable violations of state or federal health or safety laws are occurring.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that the Applicant has presented a viable means to provide improved water service for the District's residents. Lessor cost options exist but are presently not available to the District. The District has no experience in owning or operating a water system but many other District Boards, with similar experience, have successfully undertaken projects of this nature. Legal issues on obtaining an existing well and water rights have not been resolved. The use of water meters, generally supported by the funding and regulatory agencies, was not provided for in the proposed project nor was any written explanation provided. Information from the District's engineer indicated that the District Board did not want to discourage water use (to promote irrigation) and decided not to install water meters for this reason. They were advised by their engineer that it could weaken their grant applications. The lack of consideration of metering in the application resulted in a reduced score for priority #3. The environmental assessment provided in the application was very brief with limited documentation.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The District has a serious public health threat and TSEP funds are important to

enable the project to proceed, however this priority was ranked lower due to the lack of consideration in utilizing water meters in the project.

The District was formed in 1997. The current water system is privately owned. No prior planning has taken place. Information from the District's engineer indicated that the District Board did not want to discourage water use and decided not to install water meters as part of the proposed project.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 253 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$28,359
% persons at or below LMI	35%
% persons at or below poverty	15.10%

The analysis for this applicant shows that the:

- median household income is 39th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 30th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 17th out of the 41 applications.

Household Economic Condition Analysis Ranking: 38th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$28.00	94%
Monthly Rate With No Assistance	\$58.52	197%
Monthly Rate With Assistance	\$31.40	105%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 38th in the field of 41 applications = 253 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$445,000	Will Apply 6/98
Total		\$545,000	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant evaluated all reasonable funding sources. The Applicant discussed briefly using RD as a possible funding source. Without water meters as part of the proposed solution the District would be ineligible for RD funding. The DOC review engineers believed that the Applicant should have explored the possibility of installing water meters as part of the proposed project. The District decided to pursue a SRF loan instead due to the low interest rate and the simplicity of the administrative requirements.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 150% or greater of target rate without TSEP participation.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 1, 80 Points**

The proposed project would not provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The proposed project represents an infrastructure improvement that serves a residential area.

The Applicant stated that this statutory priority is not applicable.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 1, 60 Points**

The proposed project would not provide public facilities necessary for the expansion of a business that has a high potential for financial success. The proposed project represents a general infrastructure improvement that does not appear to be necessary to any business development, since the area served by the project is residential only.

The Applicant stated that this statutory priority is not applicable.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 2, 80 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of developed residential property only.

The Applicant stated that the proposed project would provide more irrigation water and would visually enhance the appearance of the subdivision which may increase the value of property and expand the tax base. No appropriate private sector alternatives to this project were identified. The Applicant stated that the current water system is privately owned. The District has unsuccessfully attempted to negotiate improvements or transfer ownership of the system.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant stated that a public meeting was held on May 19, 1998, and all residents were invited to discuss the water system. Flyers were distributed to each household and signs posted at the entry ways of the subdivision to notify homeowners of the meeting. A memo describing the meeting was provided as well as a sign-in sheet and a copy of the notification flyer. The District Board of Directors sent a community opinion survey, describing the alternatives available, to homeowners in February of 1998, and requested a response from each homeowner. The Applicant stated that the overwhelming response was for a new water system.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private grant writer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. However, the DOC review engineer also stated that the assessment of impacts was brief and had minimal supporting documentation. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 29****APPLICANT: ELK MEADOWS WATER & SEWER DISTRICT, MISSOULA COUNTY****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$210,000 Grant	\$100,000 RRGL Grant
		\$205,186 SRF Loan/G.O. Bond
Total	\$210,000	\$305,186

Project Total: \$515,186

Percent Matching Funds:	59.2%	Existing Combined Monthly Rate:	NA
Population:	100	Target Monthly Water Rate:	\$35.67
Number of Households:	42	Monthly Rate With No Assistance:	\$89.30
Number of Total Hookups:	53	Monthly Rate With TSEP Funding:	\$55.03
Median Household Income:	\$33,967	Variance From Target Rate:	154%
Existing Monthly Water Rate:	\$47.00		
Existing Monthly Wastewater Rate:	NA		

Project Summary:**Problem** -- The District's water system has numerous deficiencies including:

1. the water storage capacity is grossly undersized for adequate storage for fire flow and maximum daily use,
2. no storage capacity available during high demand periods,
3. undersized mains,
4. dead-end water lines,
5. insufficient hydrant assemblies,
6. lack of booster pumping backup capability,
7. lack of emergency power,
8. lack of disinfection capability,
9. uncontrolled use of water (lack of water meters),
10. zones of unusually high and low pressure and pressure surges,
11. unreliable pump and tank controls,
12. low pH,
13. two of the wells are considered to be in the high risk category for the DEQ "under influence of surface water" regulations, and require analysis for giardia, cryptosporidium and other disease organisms, and
14. water rationing has been necessary.

Proposed Solution - The proposed project would construct additional storage capacity, two new wells to provide adequate water supply and protection from surface water contamination, piping and pumping, telemetric improvements at the booster stations, an additional distribution line to loop the system, install

additional fire hydrants, replace undersized water mains, install water meters, construct a chlorination housing and piping at the lower booster station, and install a standby generator system.

This project received 3,240 points out of a possible 5,500 points.

This project ranked 29th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: No funding.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are numerous deficiencies in the District's water system as identified in the Project Summary on the preceding page. Among other things, the DOC review engineer stated that the water system has two wells which are considered high risk and are subject to DEQ "under the influence of surface water" regulations, distribution system deficiencies, lack of water storage, and inadequate fire flow. According to the DOC review engineer and the DEQ, the two water supply wells are categorized as high risk because they were not properly grouted when they were constructed. The DEQ stated that if the Applicant drilled and properly grouted replacement wells, the Applicant would be removed from the DEQ high risk list and no further local action regarding the wells would be needed. The DOC review engineer said that the Applicant did not document whether the two wells are actually under the influence of surface water. Documentation by the Applicant could have included microscopic particle analysis or a comparison of water characteristics such as pH and other factors. The Applicant did not provide any other documentation (e.g. boil order) from a state or federal agency to document the seriousness of any water quality deficiencies. The Applicant does not currently fully treat their water, other than occasionally disinfecting the water in the storage reservoirs by adding chlorine. The DOC review engineer stated that there are deficiencies in the Applicants water distribution and water supply system. Deficiencies include: inadequate storage to meet maximum daily and fire flow demands, a distribution system that is unable to provide fire flows while maintaining minimum pressures as required by the local rural fire department, and lack of backup pumping capability and backup power at the booster stations. An internal DEQ office memorandum was provided to substantiate the inadequacy of the system to provide fire protection. Circumstances, clearly attributable to the deficiencies listed above, such as serious illness, disease outbreak, and substantial property loss have not occurred.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that the proposed project is not necessary to comply with a court order or state or federal agency directive. The current condition of the water supply and distribution system does not comply with various sections of DEQ Circular WQB-1 - Standards for Water Works. Also, the water systems ability to provide fire protection does not meet AWWA, Insurance Services Office, and the National Fire Protection Association recommendations.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN**Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points**

The DOC review engineer stated that the Applicant thoroughly analyzed the problem, provides a thorough alternative analysis, and provides appropriate, long-term and cost effective solutions. The primary concern raised by the DOC review engineer with the Applicant's preliminary engineering report was the Applicant's lack of discussion concerning proposed disinfection of the water. It appears however, that the Applicant will be using hypochlorite for disinfection which would be an appropriate choice. The lack of details on the proposed disinfection system in the application was a major reason why the engineering design was not ranked higher.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points**

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The District has an average public health threat that would be corrected by the proposed project, and TSEP participation is critical to enable this project to proceed.

The Applicant states that the current problems with the water system are not the result of poor maintenance or poor operation, rather, that the problems resulted from engineering design limitations when the system was first constructed in 1978. The Applicant stated that no additional improvements have been completed by the District since 1978. The District adopted a water system related CIP in February 1998. The District only manages one facility (water). The Application did not discuss whether the District has raised rates in the last few years. The District does not currently have funds set aside for the proposed TSEP project.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 280 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$ 33,967
% persons at or below LMI	26%
% persons at or below poverty	9.90%

The analysis for this applicant shows that the:

- median household income is 41st out of the 41 applications,
- relative concentration of persons living at or below the low and moderate income level is 39th out of the 41 applications,
- relative concentration of persons living at or below the poverty level is 36th out of the 41 applications.

Household Economic Condition Analysis Ranking: 40th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$47.00	132%
Monthly Rate With No Assistance	\$89.30	250%
Monthly Rate With Assistance	\$55.03	154%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 33rd in the field of 41 applications = 280 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 5, 500 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,00	Applied/No Decision
SRF	Loan/G.O. Bond	\$205,186	Have Not Yet Applied, On Priority List
Total		\$305,186	

The Applicant strongly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are critical to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant thoroughly analyzed alternative funds to finance the TSEP project. Ten different funding sources were analyzed in the application. The chosen funding package appears logical and appropriate. Although the Applicant has not submitted a formal application to SRF, the District did submit a letter of interest in 1997 and the project is ranked 43rd by DEQ on the SRF priority list. None of the funding sources are committed.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. Without TSEP participation, the Applicant will have user fees 250% or greater of target rate; therefore, TSEP funds are critical to enable the project to proceed.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 1, 80 Points**

The proposed project would not provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The proposed project represents an infrastructure improvement that serves a residential area.

The Applicant stated that because Elk Meadows is a residential-only area, the project would not provide long term jobs. Because this is a residential subdivision, there are no businesses within the District. Residents travel to Missoula to work.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 1, 60 Points**

The proposed project would not provide public facilities necessary for the expansion of a business that has a high potential for financial success. The proposed project represents a general infrastructure improvement that does not appear to be necessary to any business development, since the area served by the project is residential only.

The Applicant stated that because the Elk Meadows area is residential use only, there are no businesses in the area. Currently, there is no potential for business development related to the proposed TSEP water project.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 1, 40 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, however, the proposed improvements are not clearly needed to maintain the taxable valuation of property.

Because the District is 100% residential in the use of the land, the water improvements would not support any current commercial tax base. The Applicant stated that the TSEP project could enable the expansion of the residential subdivision from the current 59 lots to 88 lots. However, there was no documentation as to if or when this future subdivision development might occur. There were no letters in the application from developers, real estate agents, or landowners regarding the potential for additional development. There were no financial estimates in the application to quantify the potential increase in the tax base due to potential future subdivision development. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The District held a public hearing on the proposed TSEP water project in November, 1997. The legal notice, and sign-in sheet for the hearing were included. No minutes for the meeting were included. Twenty persons attended the hearing. The hearing included information on the water rates. The Applicant held several other public meetings regarding the project (June of 1996, January of 1997, and February of 1998). The Application included documentation for these meetings, including notices and sign-up sheets. The District prepared and adopted a water related CIP in February, 1998. Because the District only manages one facility, the plan is limited to that facility. A letter supporting the project from the Missoula City-County Health Department was included in the application. The project was discussed in the District's newsletter. The newsletter provided a very detailed explanation of the projected costs of the project, including the proposed increase in monthly water rates.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private consultant that wrote the application. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. The Applicant noted that short-term occurrences of added dust due to construction activities may occur. The Applicant stated that dust mitigation measures will be employed. Erosion control measures will also be employed to mitigate short term increased sedimentation to Six Mile Creek. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 30****APPLICANT: CITY OF HARLEM****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$179,311 Grant	\$179,311 CDBG Grant
		\$ 29,500 City
Total	\$179,311	\$208,811

Project Total: \$388,122

Percent Matching Funds:	54%	Existing Combined Monthly Rate:	\$54.02
Population:	976	Target Combined Monthly Rate:	\$31.31
Number of Households:	361	Monthly Rate With No Assistance:	\$57.72
Number of Total Hookups:	452	Monthly Rate With TSEP Funding:	\$54.02
Median Household Income:	\$18,977	Variance From Target Rate:	173%
Existing Monthly Water Rate:	\$26.06		
Existing Monthly Wastewater Rate:	\$27.96		

Project Summary:**Problem** - The City's water system has several deficiencies including:

1. the river bank that must be stabilized in order to maintain the water intake structure,
2. the cast iron water line between the river and storage ponds has numerous cracks due to freezing,
3. an old and obsolete water plant telemetry system no longer has replacement parts available,
4. treatment vessels in the water treatment plant are showing signs of rust, and
5. water filter media needs replaced in the water treatment plant.

Proposed Solution - The proposed project would replace piping to the settling ponds, install piping at the ponds to be operated in series and parallel, rip-rap the river bank around the intake piping, replace the piping scheme from the raw water pumps to the flocculator with control panel upgrades, sand blast and paint the flocculator and filters and replace the filter media, and install a new telemetry system.**This project received 3,194 points out of a possible 5,500 points.****This project ranked 30th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies in the City's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that two (intake piping and river bank stabilization) of the five stated problems addressed by this project likely represent a serious deficiency. The remaining stated problems (plant piping, corrosion improvements and telemetry) represent moderate deficiencies that need to be addressed, but are not as urgent. The intake piping and river bank deficiencies and the urgency of needed repairs could have been described in more detail. The Applicant did not include any documentation from state or federal agencies substantiating the seriousness of the deficiencies.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that the water treatment plant produces exceptional water quality and the proposed improvements are not necessary to comply with a court order or state or federal agency directive, nor does the facility violate any state or federal health or safety standard. The Applicant stated that the primary purpose of the proposed project is to ensure continued delivery of water to the community and to make these improvements more affordable to the community.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that the engineering report did not include any discussion of the river mechanics and provided limited details on the proposed streambank stabilization project. Accordingly, it is difficult to assess the completeness of the streambank portion of the project. Replacing the existing dilapidated intake piping with new piping is relatively straight forward and would result in a complete and long term solution to the intake piping problem. The corrosion repair, plant piping improvements and telemetry replacement are also relatively straight forward and the proposed improvements would likely solve the problems completely. No alternatives were presented for riverbank stabilization, nor was river mechanics discussed in any detail. No alternatives were presented for intake piping, plant piping, corrosion repairs or telemetry. However, the proposed projects are relatively simple, with limited alternatives available. The engineering report did prioritize the numerous water treatment plant improvements.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The City has a average public health threat that would be corrected by this project, and TSEP participation is moderately important to enable the project to proceed.

The Applicant stated that the City does not have a CIP and will not adopt one until the engineering evaluation is complete in 1998/99. The Applicant stated that a draft water facility plan was being submitted to DEQ in June of 1998. This plan would give the Applicant a long term planning tool to

implement future water projects. The Applicant stated that water rates have been increased 3% per year since 1990. In 1996, rates were increased by 4%, and in 1997, rates increased by 6%.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 474 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need, ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$18,977
% persons at or below LMI	49%
% persons at or below poverty	24.9%

The analysis for this applicant shows that the:

- median household income is 11th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 11th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 4th out of the 41 applications.

Household Economic Condition Analysis Ranking: 9th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$54.02	173%
Monthly Rate With No Assistance	\$57.72	184%
Monthly Rate With Assistance	\$54.02	173%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 12th in the field of 41 applications = 474 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
City	Cash	\$29,500	Committed
CDBG	Grant	\$179,311	Will apply in 1999
Total		\$208,811	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant adequately evaluated RD, RRGL, CDBG, and SRF programs. The Applicant stated that due to their poverty level the community can not afford any additional debt. The Applicants reason for not applying for a RRGL grant was that their preliminary engineering analysis was not completed in time to apply for funding on May 15, 1998.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 150% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant provided percentages for the different employment opportunities in the Blaine County region around Harlem. The information provided in the application did not relate to how this project would help retain or develop employment.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that this project is not directly connected to the expansion of a business.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property

The Applicant stated that considering the current user rates are now well above the target rate, an increase in utility rates will be unaffordable and may force households to move from Harlem. No appropriate private sector alternatives to this project were identified

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Applicant stated that there were two public hearings. The first hearing was held on May 4 and had 16 persons attending. The Applicant provided a copy of the legal ad, newspaper clippings, minutes, and sign-in sheets documenting the first hearing. The different financing alternatives were discussed during the first public hearing. Minutes for the public hearing held May 11th were provided in the application. Both hearings were held in the evening. From the material provided in the application there does not appear to be any opposition to the proposed project. A news paper article stated that residents in attendance at the May 4 public hearing were not against repairing the current water system, their only concern is that they would have decent tasting water when the project is over.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private non-profit grant writer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 31****APPLICANT: MIDVALE WATER & SEWER DISTRICT, LINCOLN COUNTY****Type of Project: Water System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$374,720 Grant	\$374,735 SRF Loan
Total	\$374,720	\$374,735

Project Total: \$749,455

Percent Matching Funds:	50%	Existing Combined Monthly Rate:	NA
Population:	265	Target Monthly Water Rate:	\$20.18
Number of Households:	84	Monthly Rate With No Assistance:	\$65.41
Number of Total Hookups:	105	Monthly Rate With TSEP Funding:	\$39.36
Median Household Income:	\$19,220	Variance From Target Rate:	195%
Existing Monthly Water Rate:	\$38		
Existing Monthly Wastewater Rate:	NA		

Project Summary:

Problem - The water system is currently privately owned and has several deficiencies including:

1. undersized water mains creating flow restrictions and inadequate water supply for domestic use and fire protection,
2. inequitable user rates (all users pay a flat rate), and
3. the private owner has failed to make adequate investments in system improvements.

Proposed Solution - The proposed project would include the District purchasing the existing water system, replacing undersized water mains, and installing water meters.

This project received 3,140 points out of a possible 5,500 points.**This project ranked 31st out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 2, 400 Points

There are several deficiencies in the District's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the deficiencies listed are not serious. The water system is privately owned, and it is reported that maintenance and upgrades are neglected in favor of profits. As a result, the recently formed Midvale Water and Sewer District would like to purchase the existing system and make several necessary upgrades. These upgrades would reduce problems of low pressure and low quantity, and would allow for limited fire protection by replacing sections of existing pipe with larger diameter pipe. The upgrades would also include the installation of meters at all user locations, and the subsequent implementation of an equitable rate system.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that the District's proposed project is not required to comply with a court order, and there is no clear documentation that state or federal standards are being violated. However, three of the four wells in use are potentially susceptible to contamination, and are not adequately covered with wellhead protection measures. Lack of fire protection and potential contamination are the primary health and safety concerns. The project would provide for limited fire protection, implementation of wellhead protection measures, and would also allow for system improvements to alleviate low pressure and low flow problems. The District intends to embark on a long range plan for system improvements, particularly where fire protection is concerned.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that while the project does not completely solve all of the identified problems, it provides a good starting point toward meeting the District's goals of improving the water system, protecting the water source, and providing some fire protection. By enabling the District to purchase the water system from the current private owner, the priority would shift from profit to protecting and improving the water system. District users are willing to install meters and continue to pay rates which are substantially higher than the DOC target rate, in order to achieve these goals. The project appears to be the most appropriate alternative for the District, and would encourage long-term improvements for this water system.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The District has a below average health threat that would be corrected by this project, however, TSEP participation is extremely important to enable the project to proceed.

There were no prior planning efforts by the District because the existing water system is privately owned. The proposed project will make the water system a public entity. The Applicant stated that District residents are willing to make a substantial financial commitment in terms of water rate payments to

support water system development in the future. The Applicant stated that the District users are willing to install water meters as part of the proposed project.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 460 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$19,220
% persons at or below LMI	47%
% persons at or below poverty	18%

- The analysis for this applicant shows that the:
- median household income is 14th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 14th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 10th out of the 41 applications.

Household Economic Condition Analysis Ranking: 12th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$38.00	188%
Monthly Rate With No Assistance	\$65.41	324%
Monthly Rate With Assistance	\$39.36	195%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 14th in the field of 41 applications = 460 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
SRF	Loan	\$374,735	Have Not Yet Applied
Total		\$374,735	

The Applicant weakly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources. In scoring this priority, DOC considered the “gap” between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. Without TSEP participation, the Applicant will have user fees 200% or greater of target rate; this generally indicates that TSEP funds are extremely important to enable the project to proceed. However, the Applicant documented limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant did not evaluate other funding sources or indicate why it is not applying to other programs for which it is eligible.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant stated that there has been steady growth in the area. Businesses that cater to tourism are developing along US Hwy 93 in Midvale. The Applicant stated that vacant commercial sites in the District are severely limited by the availability of water.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated there is potential for business expansion in the Midvale area and that tourism related businesses will likely take advantage of the improved water system.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the proposed project will support the expansion of the tax base by providing reliable water service to residential and commercial properties. No appropriate private sector alternatives to this project were identified. The Applicant stated that it is unlikely for the current owner of the water system to improve the water system given the potential profit margin and the recovery time for the investment.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Application did not provide comments regarding Statutory Priority #10. However, the Applicant provided minutes of four public information meetings that the District held over the past two years. The two most recent meetings were March 25 and April 28, 1998. The proposed improvements and funding alternatives were discussed. A sign-in sheet for the April meeting showed 28 persons attended. Three letters of support for the proposed project were provided. The Applicant did not provide any newspaper articles or legal notices.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 32****APPLICANT: CITY OF SHELBY****Type of Project:** Water System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$400,000 Grant	\$225,000 City
		\$200,000 INTERCAP Loan
Total	<u>\$400,000</u>	<u>\$425,000</u>

Project Total: \$825,000

Percent Matching Funds:	52%	Existing Combined Monthly Rate:	\$39.08
Population:	2,800	Target Combined Monthly Rate:	\$41.94
Number of Households:	1,077	Monthly Rate With No Assistance:	\$45.85
Number of Total Hookups:	1,303	Monthly Rate With TSEP Funding:	\$41.78
Median Household Income:	\$25,417	Variance From Target Rate:	99.6%
Existing Monthly Water Rate:	\$26.33		
Existing Monthly Wastewater Rate:	\$12.75		

Project Summary:Problem - The City's water system has several deficiencies including:

1. deteriorating cast iron and asbestos cement water mains that have developed many breaks and leaks, and
2. inadequate water pressure and volume due to small (4") water lines which affects all water users and prevents adequate fire flow.

Proposed Solution - The propose project would replace or install all 4" lines with 6" PVC pipe, 6" cast iron and asbestos cement lines with PVC pipe (a total of 9,722 linear feet), 45 4" street crossing lines, and 18 faulty fire hydrants.**This project received 3,050 points out of a possible 5,500 points.****This project ranked 32nd out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies in the City's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the problems consist of deteriorated and undersized pipes resulting in inadequate fire protection and system contamination. No circumstances clearly attributable to the problems have been documented. The undersized pipes result in significant pressure losses which contribute to inadequate fire protection particularly for the west side of the City. The potential for water contamination and the inadequate fire flow capability both create a threat to public health and safety for a large part of the community. The problem of deteriorated and undersized pipes is existing, continual and chronic. However, the risk to public health and safety is potential. The problem of inadequate fire protection is existing, but occasional with the potential threat to public safety. The documentation of fire flow problems was inadequate, particularly when compared to other applications. Additional documentation is needed discussing the economic impact of a fire on the community, the potential for loss of life, and the impact on critical services such as a hospital.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that the proposed project is not required to comply with a court order, state or federal agency directive. The existing system violates state design standards for new systems with regard to cross-connections and fire protection, creating a threat to public health and safety. While, the project does not thoroughly address the problem, it will allow the community to make the needed upgrades utilizing long-term solutions. The application might have been stronger had the state health advisories been documented. The project does not thoroughly address the problem of inadequate fire flows as discussed in Statutory Priority #3.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that the proposed project does not completely address the deficiencies in the City water system. Specifically, the water system will still have problems with inadequate flows and pressures in fire fighting conditions. According to the Report for Shelby Water Main Improvements, the Shelby Heights Pressure District does not have a storage tank, and relies on a booster station for fire protection. In the event of a power outage, this district will be left without fire protection. However, a storage tank for this area is not included in the project due to budget constraints which limit the project cost. Nonetheless, many of the faulty and inoperable fire hydrants will be replaced, improving the overall fire fighting capability of the system.

The project will also not completely resolve the deficiencies where deteriorated pipes are concerned. There is not enough budget available to completely upgrade the system, however the City plans to prioritize the pipe replacements for this project, and then gradually replace deteriorating pipes as needed in the future. The project should eliminate the undersized pipes in the system as the City replaces the 4-inch lines with 6-inch PVC pressure pipe. However, regarding contamination of the water system the staff from DEQ, stated that some of the problem may be due to the fact that the City's water supply wells are located right next to the river, and are subject only to groundwater disinfection. If the contamination is occurring at the wells, rather than due to line breaks, this project will not solve the problem.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. TSEP participation is moderately important to enable this project to proceed, and the City's public health threat is average when compared to many of the other applicants.

The Applicant stated that in 1997 an engineering firm was contracted with to prepare a infrastructure master plan. In 1997, the Applicant also developed a CIP. Over the past year the City has implemented part of the CIP (e.g., street improvements and storm drainage construction). The Applicant stated that the City revised the CIP this year in order to give the city council long-term guidance on decisions relating to public facilities. The Applicant has maintained a reserve account and has committed \$225,000 to this proposed project.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 190 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$25,417
% persons at or below LMI	34%
% persons at or below poverty	11.9%

The analysis for this applicant shows that the:

- median household income is 32nd out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 34th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 28th out of the 41 applications.

Household Economic Condition Analysis Ranking: 33rd in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$39.08	93%
Monthly Rate With No Assistance	\$45.85	109%
Monthly Rate With Assistance	\$41.78	99.6%

Target Rate Analysis Ranking: 39th in the field of 41 applications.

Overall Competitive Ranking: 41st in the field of 41 applications = 190 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 2, 200 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
City	Cash	\$225,000	Committed
INTERCAP	Loan	\$200,000	Have Not Yet Applied
Total		\$425,000	

The Applicant weakly demonstrated that TSEP funds are necessary to enable the local governments to obtain funds from other sources; therefore, the Applicant provided weak documentation to demonstrate that TSEP funds are important to enable the project to proceed. All appropriate funding sources were discussed and reasonable justifications were provided for not utilizing the other funding sources. The Applicant stated that a income survey of households showed that the City is not eligible for CDBG assistance. The City's MHI is too high for a RD grant. The City choose INTERCAP because the interest rate is competitive and the process of applying relatively simple.

The DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 110% or less of target rate

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 3, 240 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities. The Applicant mentioned that there is the potential for specific job opportunities, but did not provide documentation that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant discussed that an improved distribution system is critical to properly serve existing and new businesses. The Applicant stated that 10 full-time jobs at a medical clinic were dependent on the improvements, however a letter of support from the center did not support this comment. The Applicant did not discuss any specific job opportunities that would be retained as a result of this project. However, there are a number of businesses in the project area that will benefit indirectly. The Applicant discussed the possibility of a privately-run state prison being built in Shelby and between 175-225 jobs being created. The Applicant stated that the proposed project will be needed to properly serve the prison and the associated in-migrating population. However, the Applicant provided no discussion on how the proposed project would affect the private prison locating in the City.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 3, 180 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant mentioned various businesses that would benefit by the proposed improvements, but did not provide documentation that the proposed project would directly be necessary for the expansion of a specific business.

The Applicant discussed the potential for a new privately-run state prison in the community. However, the Applicant provided no discussion on how the proposed project would affect the private prison locating in the City.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that an improved water distribution system will enhance fire protection and increase the value of affected properties, and thereby, will increase the City's taxable valuation. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant stated that it held numerous public meetings throughout the year to discuss all of it's infrastructure needs. A public hearing was held on May 18 to discuss the water system improvements and the TSEP application. The Applicant provided a legal notice and the minutes of the hearing. The meeting was held at 7:00 p.m. There appeared to be only several community members in attendance, however, no sign-in sheet was provided in the application. The minutes indicate that residents were informed of costs associated with the selected alternatives. No additional information was provided in the application regarding community support for the proposed project. The Applicant provided a copy of their revised 1998 CIP. The proposed project is the number one priority in the CIP.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project consultant. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE
PROJECT NO. 33
APPLICANT: ESSEX WATER AND SEWER DISTRICT, FLATHEAD COUNTY

Type of Project: **Water System Improvements to an Existing System by a Relatively New District**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$342,100 Grant	\$135,000 RD Grant
		\$165,000 RD Loan
		<u>\$ 40,200 District</u>
Total	<u>\$342,100</u>	\$340,200

Project Total: **\$682,300**

Percent Matching Funds:	49.9%	Existing Combined Monthly Rate:	NA
Population:	75	Target Monthly Water Rate:	\$19.14
Number of Households:	35	Monthly Rate With No Assistance:	\$66.93
Number of Total Hookups:	36	Monthly Rate With TSEP Funding:	\$36.88
Median Household Income:	\$18,229	Variance From Target Rate:	193%
Existing Monthly Water Rate:	NA		
Existing Monthly Wastewater Rate:	NA		

Project Summary:

Problem - The District has a water system that was originally built by the Great Northern Railroad and operated by a water user association. That system has several deficiencies including:

1. a surface water source that is not adequately treated,
2. the distribution system is not buried deep enough, and
3. inadequate screening at intake.

Proposed Solution - The proposed project would drill a well, replace the distribution system at a proper depth of bury, construct a 20,000 gallon water tank, and install water meters.

This project received 3,045 points out of a possible 5,500 points.
This project ranked 33rd out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: No funding.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the District's water system as identified in the Project Summary on the preceding page. The DOC review engineer stated that The source of water for the community is Essex Creek, which is considered a surface water supply. The water taken from the creek is not filtered is considered a serious deficiency, and is required of a surface water supply. Unfiltered surface water is a serious deficiency that could result in serious illness or disease outbreak. The insufficiently buried transmission and distribution mains is also a deficiency. However, it was not clear to the DOC review engineer how serious of a problem this is because the application did not state whether or not freezing is ever a problem. The only statements made relative to bury were that the extreme snowfall, overflowing storage tank and line leaks keep the lines from freezing. The Applicant stated that the District serves a hotel and 30 private dwellings, 20 of which are vacation homes. The Applicant did not respond to the ten statutory priorities, and therefore, the DOC review engineer had only the preliminary engineering analysis to analyze.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that the Applicant included a copy of an executed Administrative Order and Stipulation issued to the District by the DEQ. The Order states "The respondent shall provide filtration and disinfection of the Source in order to meet the treatment technique requirements of ARM 17.38.208, or abandon the surface water source and develop a ground water source. The resultant public water supply must comply with the Public Water Supply Act and rules implementing that Act by October 1, 1999." The District was first notified by the DEQ on December 31, 1991 that the source did not meet the requirements to avoid filtration and that filtration would be required by June 29, 1993. A notice of violation was issued on August 9, 1993 for failure to meet the requirements for filtration and be in compliance with the Surface Water Treatment Rule. No explanation was provided for the delays in reacting to the DEQ both back in 1992, 1993 and up to the present time. The project will probably enable the District to comply with the DEQ Administrative Order, but the supportive analysis is marginal as discussed in Statutory Priority #3.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points

The DOC review engineer stated that preliminary engineering analysis was minimal in content and contained very little detail, and barely met the requirements of the Interagency Preliminary Engineering Analysis format. Little analysis and discussion towards the feasibility of wells was performed. The DOC review engineer was concerned that some existing area wells produce as little as two gpm. Wells identified as good producers are tied up by adjacent subdivisions that do not want to share the water. Attempts to locate new District well(s) near the existing wells may be met with opposition. Finally, no discussion was presented regarding the proposed disinfection system that would be provided. The proposed distribution piping would be 4" diameter plastic and would not be designed to provide fire flows. The Applicant did state that hose connections would be provided to enable trucks to fill from the system. This is a concern and may not be allowed by the DEQ, if provisions are not made to keep trucks from pumping out of the lines and causing negative pressures. The distribution mains will not be looped. The analysis did not go into detail as to how adequate pressures would be maintained and how stale water would be minimized. No detailed discussion was presented on the installation of meters other than to say

that they will be installed. The preferred alternative was not well described, and a major deficiency in the analysis was lack of a detailed cost estimate for the selected alternative. The treatment plant cost estimate that was provided included items for mainline, transmission line, caboose line, tank and line, and treatment plant. However, the estimate did not include items for well installation. As a result of the issues raised, the DOC review engineer could not determine whether the proposed project would be the most appropriate and cost effective technical solution or if it will provide a feasible, long term solution to the problem.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 2, 280 Points

This project would result in a below average benefit to the public commensurate with the amount of financial assistance requested. Even though there is a serious health threat, it could not be determined if the proposed project would be the most appropriate and cost effective technical solution or if it will provide a feasible, long term solution to the problem. In addition, the Applicant documented limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project; therefore, the Applicant provided weak documentation to demonstrate that TSEP funds are important to enable the project to proceed.

The Applicant did not provide a narrative response to this or any statutory priority, and therefore, no comments were provided by the Applicant relative to making a long-term commitment to providing public facilities and services that are adequate and cost effective. It appears that the Applicant is a relatively new water and sewer district that is proposing to build a new system, to replace a severely deficient system that was taken over from a water user association. However, the Applicant did not provide the required documentation to verify that the District has been legally created, and the Secretary of State has no record of the District being created. As a result, it is not clear whether the Applicant is legally eligible to apply to the TSEP program.

Because the Applicant did not provide a narrative response to this or any statutory priority, it is not clear if the water user association or the District has charged user fees. The Applicant stated that there are no current revenues. As previously discussed, the District was first notified by the DEQ on December 31, 1991 that improvements were required by June 29, 1993, and a notice of violation was issued on August 9, 1993 for failure to meet the DEQ requirements. Due to the issues raised, it does not appear that the District has made a long-term commitment to providing public facilities and services that are adequate and cost effective.

The Applicant is requesting \$9,774 per household versus the \$5,000 per household limitation as provided for in the TSEP Application Guidelines. This is extremely high compared to other applications. The Applicant does not meet two of the three criteria necessary for exceeding the \$5,000 per household limitation, since 1) the combined user rates are less than 200% of the combined target rate, and 2) the Applicant has not exhausted all other reasonable funding sources (the Applicant did not address the issue of other potential funding sources). As a result, the amount of TSEP funding awarded if funded should not exceed \$5,000 per household for a total of \$180,000.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 485 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$18,229
% persons at or below LMI	57%
% persons at or below poverty	24.4%

The analysis for this applicant shows that the:

- median household income is 10th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 5th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 5th out of the 41 applications.

Household Economic Condition Analysis Ranking: 8th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$0	0%
Monthly Rate With No Assistance	\$66.93	350%
Monthly Rate With Assistance	\$36.88	193%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 11th in the field of 41 applications = 485 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 2, 200 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RD	Grant	\$135,000 (estimated by TSEP staff)	Have not yet applied/limited discussion with RD
RD	Loan	\$165,000 (estimated by TSEP staff)	Have not yet applied/limited discussion with RD
District	Cash	\$40,200	Committed, but no documentation from Applicant
Total		340,200	

The Applicant weakly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources or to enable the project to proceed. The Applicant documented limited efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant did not complete the funding strategy narrative or provide a narrative response to this or any statutory priority, and therefore provided little documentation concerning the need for TSEP funds. The Applicant stated that a \$300,000 grant/loan combination would be obtained from RD. The DOC reviewer was told by RD that there had been little discussion with the District about the project. The DOC reviewer estimated what the potential grant/loan amounts might be, based on RD's funding guidelines and discussing the project with RD staff. As a result, the amounts shown above are only an estimate made by DOC, since the District did not adequately seek out, analyze, and secure the firm commitment of alternative or additional funds for this project.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the water system.

The Applicant did not provide a narrative response to this or any statutory priority, and therefore, no additional comments are provided related to the potential for jobs.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure

improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant did not provide a narrative response to this or any statutory priority, and therefore, no additional comments are provided related to the potential for business expansion.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant did not provide a narrative response to this or any statutory priority, and therefore, no additional comments are provided related to maintaining the tax base. The DOC reviewer noted that the Issac Walton Inn is served by the system. As a result of not responding to this statutory priority, the Applicant also did not discuss whether there are any appropriate private sector alternatives to this project.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 1, 20 Points

The Applicant has not demonstrated that the proposed project is a high priority or has strong community support. The Applicant did not provide any, or provided inadequate, documentation that it held at least one public hearing or meeting to inform the public about the proposed project.

The Applicant did not provide a narrative response to this or any statutory priority. What appears to be a letter to the District members was included in the preliminary engineering analysis. The letter, dated May 21, 1998, informed members of a public hearing scheduled for May 9, 1998. The total cost of the project was stated in the letter, but there was no indication of what it was going to cost individual households. In addition, the cost of the project (\$550,000) as stated in the letter, was significantly lower than what is actually being requested by the Applicant.

Environmental Impact

The Uniform Environmental Checklist was prepared by an engineer who is a district board member. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 34****APPLICANT: STILLWATER COUNTY REFUSE DISPOSAL DISTRICT****Type of Project: Solid Waste System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	<u>\$105,754</u> Grant	<u>\$105,754</u> District
Total	\$105,754	\$105,754

Project Total: \$211,508

Percent Matching Funds:	50%	Target Monthly Solid Waste Rate:	\$7.56
Population:	5,750	Monthly Rate With No Assistance:	\$10.66
Number of Households:	2,493	Monthly Rate With TSEP Funding:	\$10.17
Number of Total Hookups:	2,699	Variance From Target Rate:	135%
Median Household Income:	\$25,201		
Existing Monthly Solid Waste Rate:	\$10.17		

Project Summary:

Problem - Presently all solid waste in the County is trucked to one central transfer site located near the Town of Columbus where it is compacted and trucked many miles to the City of Billing's landfill. Problems with this arrangement include:

1. trucking loose garbage is inefficient and expensive,
2. open containers allow blowing garbage and attracts vectors (rats, flies, skunks) which presents a health hazard,
3. garbage must be kept at container sites over the weekend,
4. open containers are a safety hazard to the public who can fall into the container while they are dumping,
5. scavenging in open containers exposes people to disease, and
6. the high cost of staffing controlled sites consumes funds that could be used to increase the efficiency of the solid waste facilities.

Proposed Solution - The proposed project would install stationary solid waste compactors at the Absarokee Park City container sites, and purchase a rolloff container truck and two new roll off boxes.

This project received 2,975 points out of a possible 5,500 points.**This project ranked 34th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies in the District's solid waste system as identified in the Project Summary on the preceding page. The DOC review engineer stated that contact with municipal solid waste, either directly or indirectly, presents a threat to human health. It does not appear, however, that a serious deficiency exists in a community service. The container sites meet the needs of the public. The Applicant is requesting funds for equipment to make hauling more efficient which would result in a savings of \$12,000 annually. A side benefit of this project would be the potential decrease in health risks to users and personnel at the container sites. The application contains letters from Patrick Crowley with DEQ and Travis West, the Stillwater County sanitarian. Both indicate that exposure to municipal solid waste and vectors (i.e. skunks, rats or other animals which have been scavenging through the solid waste) presents potential human health problems. The DOC review engineer stated that it is difficult to determine if serious illness or disease outbreak will occur as a result of these container sites. Certainly, people who salvage or "dumpster dive" will be at the greatest risk. Two of the sites are attended and theoretically should prevent this from occurring, at least during the working hours. Garbage is held in containers which make access somewhat difficult for animals compared to garbage lying on the ground or untreated sewage being discharged to a ditch along a road. The Applicant did not document any illness or disease outbreak associated with this container site. Additionally, the level of the dumpster diving problem is not documented. People likely do regularly utilize the site for salvaging and will continue to salvage when possible as long as materials have value.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that state and federal regulations do not apply to solid waste container sites, therefore, the current condition of the facility does not violate a state or federal health and safety standard. The letters included by the Applicant confirm that there are health risks associated with open container sites. Exposure to municipal solid waste, either directly or indirectly, is a threat to human health. It is difficult to determine if serious illness or disease outbreak will occur as a result of exposure to these container sites.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points

The DOC review engineer stated that the District is requesting funds for equipment to make hauling of solid waste more efficient resulting in an annual savings of \$12,000. A side benefit of this project would be the potential decrease in health risks to users and personnel at the container sites. The bulk of the Applicant's preliminary engineering report focuses on evaluating the cost savings that will be expected after the compactors are installed. The proposed project is supported by the DOC review engineer on its technical merits. The proposed project will improve the management of solid waste resulting in an annual savings of about \$12,000. The use of "pup" or multiple trailer equipment should be evaluated further. Many Districts are finding this option to be more cost effective than compactors at individual sites. The use of semi-trailer collection vehicles may be the next big industry advancement. The use of semi-trailers for hauling solid waste provides opportunity for greatly improved payloads, maneuverability, and production while reducing accidents, maintenance costs, and the need for transfer stations. It is not clearly documented by the Applicant as to how the use of compactors will reduce or eliminate the threat to human health. Closed containers will be a deterrent to "dumpster diving" and may eliminate the ability of

animals to access the waste. However, the longer the storage of garbage as the Applicant proposes may result in an increase of vectors attracted to the area.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. The District has an average public health threat and the proposed project and TSEP participation is moderately important to enable this project to proceed.

In 1984 and 1987, the District had its solid waste system analyzed by consulting firms and in 1988 a landfill was opened. In 1992, the landfill was closed due to tougher regulations. Consequently, the District built a new class three landfill. In 1996, an engineering firm analyzed the solid waste system and made recommendations to further improve the system. Since then the District has made progress in implementing the recommendations, such as: replacing the green boxes, constructing container sites, hiring attendants, and reconstructing the Columbus transfer station. The Applicant stated that Stillwater County has an effective planning program, and adopted a master plan in 1997. The master plan includes a 5-year CIP and the proposed TSEP project is listed as a priority item. The solid waste project is one of the top five projects for Stillwater County in their overall economic development plan, last updated in 1997. The Applicant stated that probably the best measure of the District's commitment to provide adequate public facilities is that the average annual user fee (\$122) is 135% of the TSEP target rate for solid waste systems. The District borrowed \$150,000 from the INTERCAP Program to construct the new transfer station.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 335 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$ 25,201
% persons at or below LMI	35%
% persons at or below poverty	10.60%

The analysis for this applicant shows that the:

- median household income is 31st out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 30th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 33rd out of the 41 applications.

Household Economic Condition Analysis Ranking: 31st in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$10.17	135%
Monthly Rate With No Assistance	\$10.66	141%
Monthly Rate With Assistance	\$10.17	135%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 25th in the field of 41 applications = 335 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES
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Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points
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FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
District	Cash Reserves	\$105,754	Committed, Available
Total		\$105,754	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant did discuss alternative funding options for the project. The Applicant discussed the option of using RD funds, but stated the District was not eligible due to family incomes in the area. Other alternative funding options that the Applicant did not discuss, include CDBG grants and borrowing additional INTERCAP funds. The Applicant said that because of the District's commitment to provide adequate services, as evidenced by an average user fee 135% of the target rate, the District plans to budget for and fund 50% of the TSEP project with its own resources. The District's matching funds are in the form of a cash reserve. A District Board member stated that the matching funds are currently available. The matching funds are committed and available. The Applicant provided a simple and logical funding package for the proposed TSEP solid waste project.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the solid waste system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the solid waste system.

The Applicant stated that the proposed solid waste improvement project would assure that the County solid waste system is capable of accommodating a potential expanded mine workforce. The Applicant said that the mine's 730 employees depend on the District's solid waste system for disposing of their domestic household waste. The mining company contracts with a private solid waste service to dispose of mine waste, and therefore, the mining company is not dependent on the County's solid waste system. Although the Applicant stated that many indirect jobs will result from the TSEP project, there was no clear documentation, such as letters from businesses or business plans, in the application to link these businesses to the solid waste project. The application did not include a business plan from the mining company to substantiate potential linkages between the mine expansion, new jobs, and the TSEP solid waste project. It appears that the mine expansion and new jobs would occur with or without the proposed improvements to the District's solid waste system.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that mining and smelting has been a primary economic force in Stillwater County, and there are plans to expand mining related activities in the County. The application contained a statement from Chris Allen, representing the Stillwater Mining Company, which discussed the importance of adequate solid waste facilities to the Company's proposed expanded workforce. The application also contained a fax from Bruce Gilbert of the Stillwater Mining company which stated that "in order for Stillwater mining company to efficiently integrate employees and families into Stillwater County it is imperative that the services and public facilities be adequate to support the immigrating population." Mr. Gilbert further stated that "the current employment at the mine is approximately 635 with the Smelter/BMR adding an additional 47 employees. For the expansion it is estimated that the mine would employ approximately 700 while the Smelter/BMR could employ approximately 70."

The Applicant stated that the mining company contracts with a private solid waste company to dispose of the mine's waste. The proposed improvements to the County's solid waste facilities would assist the employees of the mining company with disposing of their personal domestic household wastes. The application did not include a business plan or other documentation to suggest that the development of the mine is directly dependent on the construction of the District's solid waste improvements. It appears that the mining industry expansion would occur with or without the proposed improvements to the District's solid waste system.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the improvement of the solid waste system would support expansion of the tax base by providing the necessary infrastructure to support economic development. The Applicant said that the Stillwater Mining Company relies on effective infrastructure, including solid waste services for its employees. The mine's taxable value was \$4,906,447, which is nearly 20% of Stillwater County's total taxable value. The Applicant stated that solid waste services are also essential to agricultural and commercial users that respectively provided \$45,192,275 and \$1,089,720 in taxable value in 1996 (roughly 25% of the Stillwater County's total taxable value). Since it appears the mine would expand whether or not the TSEP project was funded, there does not appear to be a direct link between the TSEP project and an enhanced tax base due to the mine.

No appropriate private sector alternatives to this project were identified. The Applicant did seriously evaluate the option of utilizing the private sector to provide the solid waste service. The Applicant stated that the District evaluated a private solid waste firm (BFI) to operate the service, and that it would have cost more for a reduced level of service. For example, the District chairman stated that the number of hours the container sites are open for use by the public is a frequent complaint of the public, and that the BFI proposal would have further reduced by 50% the hours the sites were open for public use. The Applicant stated that the District's solid waste fees are already 135% of the TSEP target rate and have been in place since 1983. The BFI proposal would have further increased the fees charged to households and BFI would have raised fees each year. The District Board decided that the BFI offer was not cost effective and BFI would provide a lower level of service. The District Board decided to continue to operate the solid waste system as a public entity.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points**

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

The Applicant stated that improvements to the District's solid waste system were identified in the top 5 projects in the County's overall economic development plan and in the County's master plan (including the overall CIP section of the master plan). The master plan went through a citizen participation process starting in 1995. Meetings were held throughout the county and citizens had an opportunity to prioritize issues. A draft of the master plan was made available for public comment in 1997. A planning workshop was held in 1997 and included the opportunity for citizens to review the draft and ask questions. A formal public hearing on the master plan was held. Two newspaper clippings from the hearing on the master plan were included. The application contained the legal notice for the public hearing. No minutes from the hearing were included. The Applicant did not provide specific information on whether the funding options for the proposed project (and the plan to submit a TSEP grant application) were discussed at the

hearing. There were no minutes included in the application regarding the hearing. The master plan was adopted by the County in 1997.

The District will not need to raise the solid waste fees to fund the project. The District is using cash already in hand. Thus, there was no need to inform the citizens of any changes in user fees for the solid waste service. The Applicant has clearly assessed their public works needs, established priorities through an officially adopted CIP, and the proposed project is a high priority for the County. The District's planning efforts were clearly tied into the overall, county-wide planning efforts.

Environmental Impact

The Uniform Environmental Checklist was prepared by Beartooth RC&D. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 35****APPLICANT: CITY OF EAST HELENA****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$479,609 Grant	\$100,000 RRGL Grant
		\$379,609 SRF Loan
Total	\$479,609	\$479,609

Project Total: \$959,218

Percent Matching Funds:	50%	Existing Combined Monthly Rate:	\$55.23
Population:	1,538	Target Combined Monthly Rate:	\$42.44
Number of Households:	639	Monthly Rate With No Assistance:	\$60.18
Number of Total Hookups:	686	Monthly Rate With TSEP Funding:	\$55.23
Median Household Income:	25,720	Variance From Target Rate:	130%
Existing Monthly Water Rate:	\$41.03		
Existing Monthly Wastewater Rate:	\$14.20		

Project Summary:

Problem - The City's wastewater system has several deficiencies including:

1. the existing lagoon liner has been seriously damaged as a result of poor installation,
2. none of the three treatment cells can be operated at full depth due to excessive leakage in the upper 6 feet of the liner, and
3. the City will begin to record permit violations after July 1, 2000, since the City's re-issued discharge permit contains significantly more stringent limitations for fecal coliform, residual chlorine and acute ammonia toxicity than what the facility is capable of attaining.

Proposed Solution - The proposed project would rehabilitate the lift station and improve the flow meters, install a new portable generator, up-sized pumps and wetwell at the Montana Avenue lift station, repair and upgrade the inter-cell piping and valves, remove sludge from all three cells, repair the Hypalon liner in all three cells, install a new telemetry and control system, and upgrade the aeration system in cell no. 3.

This project received 2,939 points out of a possible 5,500 points.**This project ranked 35th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are several deficiencies in the City's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that a serious deficiency exists in the City's wastewater treatment and disposal system, and that serious circumstances partially attributable to the City's wastewater discharge have occurred in the form of environmental pollution and potential health risks. The problem is probable and chronic, and the City will likely be subject to a formal enforcement action from DEQ if they begin to record permit violations. The DOC review engineer stated that application lacked documentation of in stream monitoring of Prickly Pear Creek or surrounding groundwater wells to verify the treatment facility's threat to public health.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that there is clear documentation that the existing facility cannot meet pending permit limitations and improvements to the lagoon facility are necessary to comply with those MPDES permit limitations. The contamination represents a probable public health threat. However, the DOC review engineer stated that there is insufficient information upon which to make a determination on the existing facility's ammonia removal capability or that of the improved facility. In addition, there is a concern that the proposed improvements may not completely address pending compliance issues as discussed in Statutory Priority #3.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points

The DOC review engineer stated that the project represents one component of an overall wastewater improvements program, although it will likely not be a complete fix by itself. The Applicant has explored numerous alternatives for addressing facility problems and has decided to repair/rehabilitate the existing lagoons, optimize its capability to treat/remove ammonia, and then examine whether further improvements are necessary to comply with the final permit limitations by July, 2000. The City's pending effluent limitations require that there be no acute toxicity in Prickly Pear Creek when in stream flow is greater than zero, except when that toxicity is due to lead, zinc or copper. This effectively says that there shall be no ammonia toxicity in stream based on Montana Water Quality Standards. In order to meet this requirement, the treatment facility will have to remove ammonia (year-around) to levels significantly lower than it currently does. The DOC review engineer stated that there was insufficient data in the application to determine whether the existing facility is providing ammonia removal or to what extent. It was also noted that ammonia toxicity has been documented in previous winter months. In addition, there was insufficient data in the application to determine whether the improved facility would have the capability to remove the required ammonia. The wastewater master plan calls for facility enhancements that will improve nitrification. However, it is unlikely that even with the enhancements the lagoon will provide adequate nitrification of ammonia during the entire year. Monitoring data for aerated lagoons across Montana shows that nitrification activity is severely impaired during late Fall to mid Spring. The DOC review engineer stated that the Applicant has not made an effort to determine what monthly numeric ammonia concentrations will result in achieving compliance. This is important in determining the extent of ammonia removal that will be necessary. If additional capital improvements are necessary, the Applicant has stated that they would be implemented as Phase II of the City's overall project. However, by the time

that the proposed Phase I improvements are completed and tested, it may be too late to implement additional nitrification/disinfection improvements before the final MPDES permit limitations are in effect.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. Even though there is clear documentation that the existing facility cannot meet pending permit limitations which is a serious health threat and TSEP funds are important to enable the project to proceed, the DOC review engineer is concerned that the project as proposed will not resolve the problems.

The Applicant has recently prepared a master plan for both the water and wastewater systems and a CIP. The CIP is comprehensive and includes all services that are provided by the Applicant. The Applicant is currently analyzing its rate structure and will be establishing new rates based upon a metering system.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 259 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$25,720
% persons at or below LMI	37%
% persons at or below poverty	8.5%

- The analysis for this applicant shows that the:
- median household income is 35th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 25th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 38th out of the 41 applications.

Household Economic Condition Analysis Ranking: 36th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$55.23	130%
Monthly Rate With No Assistance	\$60.18	142%
Monthly Rate With Assistance	\$55.23	130%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 36th in the field of 41 applications = 259 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
SRF	Loan	\$379,609	Immediate Needs Survey Submitted May 1998
Total		\$479,609	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant discussed all appropriate funding sources, and with the exception of the funding sources discussed below, the Applicant is using the funds that are typically used. The City submitted an application to CDBG for a water project, and therefore, that source of funds is not eligible to be used in this funding package. The Applicant stated that because the City's MHI tends to exceed that which is given high priority for funding allocations, RD is not a viable option at this time.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an

infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant discussed the construction and annexation of a new middle school which will add approximately 40 new jobs to the community. However, the new school is expected to be constructed and opened prior to this project being constructed, and therefore, the direct connection to this project is questionable. The Applicant stated that the consequence of being in non-compliance with their discharge permit would curtail economic development and well as the commercial and residential base of the community. The Applicant did not present any other information that would show there are specific job opportunities directly dependent upon this project being completed.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

Other than the information provided related to the new middle school, the Applicant did not provide any information concerning a specific business that would be created or expanded as a result of this project.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the private property base will be encourage to expand, and indicated that the city could lose its discharge permit rendering it unusable for residential and commercial users. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 4, 80 Points

The Applicant sufficiently demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, informed the public of the estimated cost per household. In addition, it documented several other efforts to elicit support for the proposed project.

In May, 1998, a public hearing was held on the proposed project and its costs. The meeting was held in the evening and was attended by three local residents along with various public officials or representatives of the project. Citizens were adequately informed of the estimated cost per household. Documentation included a legal ad, agenda, sign-in sheet, minutes, and a handout. The application

included letters of support from two businesses and two public agencies. In 1997, the City conducted a community-wide needs assessment through a survey that was distributed to all residents connected to the water/wastewater system. From this assessment, the City developed and adopted a CIP.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private engineering firm. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 36****APPLICANT: CITY OF GREAT FALLS****Type of Project:** Storm Drain System Improvements

Funding Sources:	TSEP Request	Matching Funds
	<u>\$ 500,000 Grant</u>	<u>\$574,000 City</u>
Total	\$ 500,000	\$574,000

Project Total: \$1,074,000

Percent Matching Funds:	53%	Existing Combined Monthly Rate:	\$32.92
Population:	178	Target Combined Monthly Rate:	\$38.14
Number of Households (in project area):	69	Monthly Rate With No Assistance:	\$33.28
Number of Total Hookups:	NA	Monthly Rate With TSEP Funding:	\$33.12
Median Household Income:	\$23,113	Variance From Target Rate:	87%
Existing Monthly Water Rate:	\$14.94		
Existing Monthly Wastewater Rate:	\$17.85		

Project Summary:

Problem - The Gibson Flats area, located outside the city limits of Great Falls, experiences flooding, poor drainage and very high groundwater. Localized runoff from the Gibson Flats area and higher areas of the basin to the north (both inside and outside the City limits) causes frequent flooding which in turn recharges high ridge groundwater table. Many residents have reported flooded and damaged homes, wells, septic systems, and other private property.

Proposed Solution - The proposed project would construct a detention pond at the mouth of Mountain View Coulee and construct a gravity discharge piping system from the proposed detention pond across the recharge and high groundwater ridge areas into a natural drainage channel near Sand Coulee Creek.

This project received 2,868 points out of a possible 5,500 points.**This project ranked 36th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 2, 400 Points

The Applicant has identified a major problem for Gibson Flats residents which is created by deficiencies in the City's storm drain system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the Applicant documented serious deficiencies exist with high groundwater and flooding in the Gibson Flats area. The primary result of these deficiencies is property damage due to high groundwater. The Applicant also claims that high groundwater has resulted in failing septic systems and contaminated water wells, and these deficiencies affect the entire community.

The DOC review engineer stated that while the proposed project will likely reduce the severity and frequency of high groundwater and flooding problems for the community, it is unlikely the proposed project will completely "solve" the problems due to the location of the community within the 100 year floodplain and the naturally occurring high groundwater. It is likely that the community will continue to experience high groundwater and flooding during wet years after the project is completed, although on a less frequent basis. In addition, claims of water well contamination and failed septic systems are not well documented. If it is accepted that well contamination and failed septic systems have indeed occurred, it is difficult to blame the storm water deficiencies as directly and solely for these problems. Even after the project is complete and operating, the depth to groundwater will still be relatively shallow and susceptible to contamination.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 3, 540 Points

The DOC review engineer stated that there is no clear documentation that the current conditions violate a state or federal health or safety standard. Storm water run-off recharge to the local groundwater likely aggravates the problems of claimed failing septic systems and contaminated water wells. While the proposed project represents a partial solution to the identified deficiencies and will likely reduce the severity and frequency of high groundwater in the area, it does not completely solve it. The proposed project will likely improve the conditions of individual on-site septic systems and water wells. However, due to the naturally high levels of groundwater in the area, it is unlikely the proposed project will eliminate contamination of wells by drain field discharges.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 4, 640 Points

The DOC review engineer stated that the project will likely reduce the severity and frequency of high groundwater and flooding problems in Gibson Flats. However, it is unlikely that it will completely resolve the problem. Additional measures beyond this project could be implemented to further reduce the frequency of high groundwater and flooding. Due to the naturally occurring groundwater and poor drainage in the area, Gibson Flats will likely continue to periodically suffer groundwater and flooding difficulties even after the project is implemented. According to the County sanitarian, Gibson Flats is located in the 100 year floodplain of Sand Coulee Creek and the creek has flooded at least two times over the last thirty years. The Gibson Flats Storm Drainage Study prepared in October 1996 identified several alternatives for addressing groundwater and flooding problems. The proposed technical design represents the most efficient and cost effective option for reducing the severity and frequency of groundwater problems in the area. The selected alternative will also completely mitigate the City of Great Falls' contribution to problems in this area. Unfortunately, the proposed solution will be unable to

completely resolve high groundwater and flooding problems in the area.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points

This project would result in an average benefit to the public commensurate with the amount of financial assistance requested. While the proposed solution will mitigate the City of Great Falls' contribution to problems in this area, the proposed solution will be unable to completely resolve high groundwater and flooding problems in the area. In addition, the Applicant provided weak documentation to demonstrate that TSEP funds are important to enable the project to proceed. This application was scored higher than other applications in a similar situation because of the City's planning efforts.

The City implemented a storm drain utility in 1989 to fund the cost of operating, maintaining and constructing storm drain facilities. In addition the City has adopted an extensive five-year storm drain CIP. However, the Applicant did not indicate whether it has a comprehensive CIP that addresses of the facilities that the City is responsible for maintaining.

The Applicant is requesting \$7,246 per household versus the \$5,000 per household limitation as provided for in the TSEP Application Guidelines, which is considerably higher than the other Applicants. The TSEP staff used the number of households within the Gibson Flats area (69) to determine the amount requested per household, because these are the households that will actually be benefitting from the TSEP funds and the proposed project. The Applicant does not meet two of the three criteria necessary for a reduced match, since 1) the DOC review engineers did not determine that there is a serious enough deficiency and that adverse consequences clearly attributable to the deficiency have occurred or are likely to occur, and 2) the combined user rates are less than 200% of the combined target rate. As a result, the amount of TSEP funding awarded if funded should not exceed \$5,000 per household for a total of \$345,000.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 208 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$23,113
% persons at or below LMI	35%
% persons at or below poverty	14.7%

- The analysis for this applicant shows that the:
- median household income is 24th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 30th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 18th out of the 41 applications.

Household Economic Condition Analysis Ranking: 25th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$32.92	86%
Monthly Rate With No Assistance	\$33.28	87%
Monthly Rate With Assistance	\$33.12	87%

Target Rate Analysis Ranking: 39th in the field of 41 applications.

Overall Competitive Ranking: 40th in the field of 41 applications = 208 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 2, 200 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
City	Cash	\$574,000	Committed
Total		\$574,000	

The Applicant weakly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources or that TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant adequately discussed the limited options for funding this project. Unlike water and wastewater systems, there are not a variety of grant funding programs for storm drain systems. An application was submitted to DNRC in 1986 for engineering and capital improvements, but was not approved. The EPA was contacted in the 1980's regarding available assistance, but the EPA indicated that financial assistance was not available. The Applicant also mentioned that Cascade County stated that there are no available funds, and the Gibson Flats residents were assessed \$60,000 through a rural improvement district in 1975.

DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With and without TSEP participation, the Applicant will have user fees 110% or less of target rate. Without TSEP assistance, the Applicant's combined user rates would still be only 87% of the City's target rate, indicating that the City could afford to increase its user fees to fund this project in total.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the storm drain system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the storm drain system.

The Applicant indicated that there could possibly be litigation that would curtail development in the southeastern area of the City. The Applicant stated that if a moratorium on commercial and residential development occurs, it could affect new business locating to the area and loss of jobs. The Applicant also stated that the proposed improvements will protect existing farm land from being flooded. However, it should be noted that the Applicant only indicated that litigation and a moratorium on development is a possibility, that nothing to date has taken place. The only documentation provided is a news article indicating that a resident of Gibson Flats will sue the City if it does not alleviate the problem of flowing storm drainage and sewage.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

See the comments provided under Statutory Priority #7.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the proposed project will make the area a more desirable place to live in, which normally results in an increase in the assessable value of the properties. The Applicant also stated that doing nothing could cause the opposite effect and decrease the tax base. The Applicant stated that an arrangement with a private contractor to operate and maintain the detention pond may be a possibility, since the City is currently negotiating such an agreement on a similar detention pond in an adjacent drainage.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Applicant stated that numerous public meetings have been held over the past 25 years between local, county and state government and the Gibson Flats property owners. The Applicant provided dates for seven meetings since 1981, and stated that there were monthly meetings in 1979. The Applicant did provide agendas from some of the meetings, various hand written minutes from some of the meetings, and file memos about meetings. It does appear that the Applicant held a meeting since May, 1997, however, the minutes of that meeting do not contain much information. As a result, it is difficult to know what was discussed about the project or funding options. It does not appear that the Applicant has held a public hearing or meeting, that was advertised, within the past 12 months prior to submitting the application. As a result, it is not known if the general public, especially the City's storm drain users that ultimately pay for the project, has been informed of the proposed project or its cost. The Applicant did provide copies of petitions requesting meetings with public officials about the problem and numerous letters in support of the project, although it appears that the letters of support from the general public are from the residents in the Gibson Flats area. It is difficult to know from the documentation what kind of support there is from the citizens within the City. There are letters of support from various officials and public agencies. In addition the City has adopted an extensive five-year storm drain CIP. However, the Applicant did not indicate whether it has a comprehensive CIP that addresses of the facilities that the City is responsible for maintaining.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private engineering firm. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 37****APPLICANT: TOWN OF EUREKA****Type of Project: Wastewater System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 300,000 Grant	\$ 27,750 Town
		\$ 652,250 SRF Loan
		\$ 300,000 CDBG Grant
		\$ 100,000 RRGL Grant
Total	\$ 300,000	\$1,080,000

Project Total: \$1,380,000

Percent Matching Funds:	78%	Existing Combined Monthly Rate:	\$30.13
Population:	1,100	Target Combined Monthly Rate:	\$31.31
Number of Households:	402	Monthly Rate With No Assistance:	\$44.73
Number of Total Hookups:	464	Monthly Rate With TSEP Funding:	\$40.25
Median Household Income:	\$18,974	Variance From Target Rate:	129%
Existing Monthly Water Rate:	\$14.58		
Existing Monthly Wastewater Rate:	\$15.55		

Project Summary:

Problems: The Town's wastewater treatment facility has been issued a "Notice of Violation - Request for Compliance" by DEQ. The wastewater system has the following deficiencies:

1. an adversarial relationship has developed between the Town and the private owner of the wastewater land application site. This has directly or indirectly led to:
 - failure of the storage pond dike resulting from having to with hold applying treated effluent to the land application site longer than anticipated due to the landowner's objections;
 - extensive property damage and direct discharge of effluent to the Tobacco River as a result of the dike failure; and
 - two lawsuits against the Town from the site owner; one for property damage from the dike failure and the other over alleged degradation of the land from the normal land application process.
2. groundwater infiltrating the wastewater collection system is causing an inefficient treatment process,
3. treatment efficiency is reduced due to an aeration system that is difficult to operate and maintain,
4. the present land application site is inadequate for removing remaining nutrients prior to the effluent reaching the groundwater, and
5. there are unsewered areas of the Town not served by the existing wastewater collection and treatment system.

Proposed Solution: The proposed project would develop a new land application site, replace portions of the existing collection system, replace the aeration system in the existing treatment plant, improve discharge facilities from the existing storage pond, and construct new collection lines in several areas of the community not currently sewered.

**This project received 2,824 points out of a possible 5,500 points.
This project ranked 37th out of 41 applications.**

DOC RECOMMENDATIONS FOR FUNDING: No funding.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 4, 800 Points

There are numerous deficiencies in the Town's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that the portion of the project (approximately 60%) that addresses deficiencies with the aeration treatment efficiency, the storage pond and irrigation system represent a serious deficiency in a basic community public facility that could result illness, disease outbreak, environmental pollution, loss of life or substantial property damage. The treatment system problems are continual, impact the entire town and are necessary to address a state order. The portion of the project that eliminates on-site sewers with a central collection system (approximately 40%) does not address a documented problem and the adverse impact is not clear. Only a portion of the community would be impacted and there are no regulatory actions pending.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that the treatment portion (60%) of the project is necessary to address a well documented state order that represents a significant public health threat, however the proposed project may not represent a complete solution to the problem. The on-site treatment portion (40%) is not addressing a state order and the extent to which the existing on-site systems do not meet state design standards is only generally addressed and not well documented.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points

The DOC review engineer stated that the treatment and I/I reduction portion of the proposed project is not well documented with regard to the completeness of the solution, and other I/I reduction alternatives were not discussed (point repairs, services, building activities, etc). Overall, the proposed solution could have been better developed and decisions more clearly documented. In particular, flow monitoring should have been performed to quantify potential I/I reductions and document the net increase in irrigation storage capacity. Accordingly, the completeness of the solution is difficult to assess. The solution to the on-site

treatment portion of the project is reasonable and long term from a collection system improvements perspective.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED
Of the 700 points possible for this statutory priority, the Applicant was scored: Level 2, 280 Points

This project would result in an below average benefit to the public commensurate with the amount of financial assistance requested. While the Town has a serious public health threat and TSEP funds are important to enable the project to proceed, the DOC review engineer had concerns about the proposed project's ability to eliminate the system's deficiencies.

In 1991, the Applicant completed a community needs assessment and developed a long-term plan for public facility improvements. Eureka was building a sewer capital improvement fund to provide for future wastewater facility needs. However, the fund was wiped out when the storage pond dike failed in 1995. The Town has enacted a \$3.25 per month dike repair fee that is assessed against all system users over a five year period to repay debt on that project.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 304 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$18,974
% persons at or below LMI	45%
% persons at or below poverty	9.7%

- The analysis for this applicant shows that the:
- median household income is 11th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 16th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 37th out of the 41 applications.

Household Economic Condition Analysis Ranking: 16th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$30.13	96%
Monthly Rate With No Assistance	\$44.73	143%
Monthly Rate With Assistance	\$40.25	129%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 30th in the field of 41 applications = 304 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
Town	Hookup Fees	\$27,750	Committed
SRF	Loan	\$652,250	Applied/No Decision
CDBG	Grant	\$300,000	Awarded in August 1998
RRGL	Grant	\$100,000	Applied/No Decision
Total		\$1,080,000	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Town has considered all reasonable funding sources and have incorporated them into the funding package. The local commitment of \$27,750 are intended to be generated from hook-up fees associated with the new collection system to be installed in the Riverside Drive area. The Applicant stated that RD was considered but decided not to apply due to the administrative requirements.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that the project is not specifically aimed at economic development and job creation. However, it was emphasized that a properly functioning infrastructure system plays a major role in community development. The Applicant further stated that there will be an indirect job link with respect to maintaining community viability.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that while this project is not directly connected to the expansion of any businesses, there are three businesses in the town that will benefit indirectly.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that the proposed project will provide direct expansion of the tax base by making a centralized wastewater system more available and increasing property values. The Applicant further stated an indirect benefit could be the possibility of the unincorporated community of Midvale hooking into the Eureka wastewater system. No commitment has been made by Midvale on annexation, but there continues to be serious discussion. If annexation does occur it would significantly expand Eureka's tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Town held three public meetings in 1998 concerning the project and other community needs. All meetings were held in the evening. The Applicant provided documentation about the meetings including news articles, legal notices, and minutes. There were no sign-in sheets in the application to document attendance at the public meetings. The documentation showed that the proposed project was discussed along with their funding strategy and the proposed rates. The Applicant stated that in 1991 the Town conducted a community needs assessment survey. At the first public meeting on April 13, 1998, the old needs assessment survey was discussed. According to the minutes the Mayor asked the Town's Economic Development Advisory Council to revise the needs assessment priorities list. The revised list was included in the application. The number one need listed was the improvements to the wastewater system as outlined in the Town's wastewater facilities planning study. Although the Town has prepared a list needs in relationship to the infrastructure, no formal CIP has been adopted. There were seven letters submitted to the Town Council against expansion of wastewater collection lines into the Riverside Drive neighborhood.

Environmental Impact

The Uniform Environmental Checklist was prepared by the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 38****APPLICANT: CITY OF HARDIN****Type of Project: Wastewater System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	<u>\$347,270</u> Grant	<u>\$350,000</u> City
Total	\$347,270	\$350,000

Project Total: \$697,270

Percent Matching Funds:	50%	Existing Combined Monthly Rate:	\$35.18
Population:	2,940	Target Combined Monthly Rate:	\$34.72
Number of Households:	1,082	Monthly Rate With No Assistance:	\$36.95
Number of Total Hookups:	1,277	Monthly Rate With TSEP Funding:	\$35.43
Median Household Income:	\$21,045	Variance From Target Rate:	102%
Existing Monthly Water Rate:	\$22.70		
Existing Monthly Wastewater Rate:	\$12.48		

Project Summary:

Problem - The City's wastewater collection system has several deficiencies including:

1. asbestos and lead materials in pipe,
2. lack of easements for force main,
3. force main is in serious state of deterioration, and
4. pumping system capacity is strained.

Proposed Solution - The proposed project would replace 5700 feet of mains and repair or replace 95 manholes.

This project received 2,667 points out of a possible 5,500 points.

This project ranked 38th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: No funding.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 2, 400 Points

There are several deficiencies in the City's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that two of the deficiencies, 1) asbestos and lead materials in pipe and 2) lack of easements for force main, were not considered serious. Asbestos and lead materials may be a concern if they were utilized for water piping. However, except for occasional maintenance of the pipe, at which time workers can take proper precautions, these materials should not be considered a serious deficiency. The lack of easements, although not acceptable, is not a serious deficiency. The Applicant states that the lift station is inadequate to handle flows from infiltration into the system during heavy rains. The source of the infiltration is sump pumps and damaged pipe. On one occasion this has resulted in the need to pump sewage from the wet well on to a nearby field. This would represent a serious deficiency. The Applicant also states that the current pipe is in a state of deterioration and poses a health risk to area groundwater and goes on to mention there have already been instances of leakage and collapse. However, except for one case, specific instances and associated documentation was not included in the application. The one case described involved an overflowing storm inlet which undermined the force main causing it to break and release raw sewage. Asbestos cement pipe is rigid and prone to cracks if not adequately supported. Based on the brief description of the occurrence, it is hard to pin the blame for the failure on the pipe being in a deteriorated state.

The DOC review engineer stated that in general, the Applicant makes several assertions as to various deficiencies but does not document them very well. The aging force main is likely a valid concern but the seriousness or urgency of the deficiency at this time is not fully described or documented. The potential exists for exposure to the public of raw sewage, although the location of any spills or leaks would likely be such that the area could be isolated. In addition, it was not clear how frequently the spills occur or if they have ever occurred more than once. Pipe failure and wet well flooding are occasional problems. The condition of the pipe is not well documented so the potential for failure is impossible to assess. The problem associated with the lift station overflowing is dependent on the frequency of heavy rains but the application provided limited detail on how often the problem was experienced. A letter from DEQ supports the assertions that the collection and force main portions of the system have surpassed their useful life and are in need of replacement.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that the project is not necessary to comply with a state or federal directive. The letter from DEQ is not a mandate to fix the problems, it simply states that administrative action is a remedy that the DEQ can use if the facilities experience further problems that put the public health at risk. Although the possibility of raw sewage on the ground surface is a real concern, the location of any potential spill is remote from the community and the frequency of this occurring appears to be very occasional. The application documents a one time spillage event that would be a violation of state public health standards. The potential for additional violations was not detailed, so it is not possible to assess the ability of this project to enable the community to meet state public health standards.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN**Of the 800 points possible for this statutory priority, the Applicant was scored: Level 3, 480 Points**

The DOC review engineer stated that The proposed project is a complete component of an overall plan to address collection system deficiencies. Because the application did not compare storm flow events to the improved pumping capacity, the reviewer is not able to assess if the problem with lift station capacity will be completely solved by this project. The PER should have gone into more detail regarding alternative analyses and in particular why collection system I/I is not being addressed first. However, pipe repair will solve the problem with the dilapidated condition of the pipe and will clearly improve the capacity of the lift station such that the surcharging problem with the wet well is reduced. The application does not clearly document if the problem will be completely solved or if the proposed solution is the most appropriate or cost effective solution. In this regard, the application did an average job of addressing this criteria when compared to other TSEP applicants.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED**Of the 700 points possible for this statutory priority, the Applicant was scored: Level 3, 420 Points**

This project would result in a average benefit to the public commensurate with the amount of financial assistance requested. The DOC review engineers did not view the City's wastewater deficiencies as being properly documented, or as serious of a problem as presented in other applications. In addition, the Applicant provided weak documentation to demonstrate that TSEP funds are important to enable the project to proceed. This application was scored higher than other applications in a similar situation because of the City's sound planning efforts.

The City has had a comprehensive plan since 1972, and was last updated in 1996. The City has conducted two studies on the wastewater system and adopted a water and wastewater master plan in 1986. The City also prepared a street and highway master plan in 1986, and a storm drainage, erosion control and flood mitigation master plan in 1986. Big Horn County adopted an economic development master plan in 1990 which was updated in 1992. An overall economic development plan was adopted in 1995 for a five county region. Over the past 20 years, the City has made 34 major capital expenditures, many of which are related to the water and wastewater systems. The City raised water user rates three times between 1992 and 1994, representing a 76% increase during that time period.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 307 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$21,045
% persons at or below LMI	41%
% persons at or below poverty	22.2%

The analysis for this applicant shows that the:

- median household income is 21st out of the 41 applications;

- relative concentration of persons living at or below the low and moderate income level is 21st out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 7th out of the 41 applications.

Household Economic Condition Analysis Ranking: 14th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$35.18	101%
Monthly Rate With No Assistance	\$36.95	106%
Monthly Rate With Assistance	\$35.43	102%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 29th in the field of 41 applications = 307 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 2, 200 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
City	Cash	350,000	Committed
Total		350,000	

The Applicant weakly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources or that TSEP funds are important to enable the project to proceed. The Applicant adequately evaluated all other funding sources and provided reasonable explanations for not using them. Given the total amount of the project and the fact that the City is providing 50% of the funds, it is reasonable for the City to apply to just TSEP for the remaining amount needed for this project.

DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 110% or less of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an

infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that the project will not directly create employment opportunities, but it will enhance the City's overall economic viability.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that no businesses will directly benefit from this project, but it will allow for continuing expansion and the possibility for future growth.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant did evaluate private sector sources and no appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Applicant held two public hearings in May, 1998. Both hearings were advertised at least twice and were held in the evening. Notice of the second hearing was also sent to all current system users. The minutes and sign-in sheets reflected that ten people attended the first hearing which provided information about the project and its cost. The second hearing was on the City's proposal to increase wastewater rates by 2%. Documentation included legal ads, minutes, sign-in sheet, and a handout. Two letters of support from public health agencies were included in the application, in addition to, three letters from the general public. In April 1997, the City conducted a city-wide community needs assessment survey for public facilities and economic development. Of the 38% surveys returned, 83% stated they were willing to pay higher sewer rates in order to offset repairs to the sewer. The City has conducted two studies on the wastewater system and adopted a water and wastewater master plan in 1986. The City also prepared a

street and highway master plan in 1986, and a storm drainage, erosion control and flood mitigation master plan in 1986. Big Horn County adopted an economic development master plan in 1990 which was updated in 1992. An overall economic development plan was adopted in 1995 for a five county region. The Applicant also stated that it has a five year CIP, but the information provided in the application does not indicate that it is a true CIP since it lacks various information such as costs, time lines, and proposed sources of funding.

Environmental Impact

The Uniform Environmental Checklist was prepared by the City's economic development director who also prepared the application. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 39****APPLICANT: TOWN OF CULBERTSON****Type of Project: Wastewater System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$ 500,00 Grant	\$675,000 SRF Loan
		<u>\$ 58,600 Town</u>
Total	\$ 500,000	\$733,600

Project Total: \$1,233,600

Percent Matching Funds:	59.5%	Existing Combined Monthly Rate:	\$36.92
Population	796	Target Combined Monthly Rate:	\$38.16
Number of Households:	339	Monthly Rate With No Assistance:	\$59.68
Number of Total Hookups:	392	Monthly Rate With TSEP Funding:	\$51.69
Median Household Income:	\$23,125	Variance From Target Rate:	136%
Existing Monthly Water Rate:	\$31.38		
Existing Monthly Wastewater Rate:	\$5.54		

Project Summary:**Problem** - The Town's wastewater system has the following deficiencies:

1. sewer mains are cracked and have holes exposing backfill material,
2. manholes are in need of repair or replacement,
3. lagoon dikes may breach due to excessive erosion and shallow slope,
4. lagoon treatment has decreased due to excessive build-up of sludge, and
5. a submersible pump lift station does not meet DEQ design standards.

Proposed Solution - The proposed project would replace and slip line substandard sewer mains, reconstruct lagoon dikes, remove sludge from lagoon cell, reconstruct the effluent transfer system, install an additional forcemain and transfer piping, install Geoweb for erosion control, and reconstruct the lift station to meet DEQ standards.**This project received 2,652 points out of a possible 5,500 points.****This project ranked 39th out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 3, 600 Points

There are several deficiencies in the Town's wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that potentially serious problems exist with the wastewater collection and treatment system in the Town. The problems are documented by the DEQ wastewater inspection report and the comprehensive performance evaluation report prepared by MSU-Northern. Both reports document lagoon system deficiencies, but do not address the collection system or lift station. The Applicant stated that if conditions deteriorate further, there is the potential for catastrophic results (for instance a failed dike) or serious public health problems (for instance sewage in basements). The application was not scored any higher because of being a potential threat to human health and the environment.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that the project will allow the Town to eliminate the potential for serious health and safety problems. There are no current "standards" which are being exceeded, or state/federal directives which must be met. This resulted in the application being less favorably rated compared to most other applications.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points

The DOC review engineer stated that the proposed solution incorporates appropriate, cost-effective technical design and should provide a thorough, long-term solution to the Town's wastewater problems. However, the current problems may have been compounded by a lack of maintenance, and the application indicates that maintenance may go down after the new facilities are in-place. Improved maintenance and/or investment in a capital replacement fund would be appropriate. Details on the proposed method of sludge disposal (or even recognition that this is an important issue yet to be resolved) would have improved the application, since sludge disposal requires approval in advance by the EPA. Other project elements were addressed, although not in significant detail. This resulted in the application being less favorably rated compared to most other applications.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 2, 280 Points

This project would result in a below average benefit to the public commensurate with the amount of financial assistance requested. The Town has an average health threat that may or may not be corrected by the proposed project, and TSEP funds are only moderately important to enable the project to proceed.

The Applicant stated that it has been active in developing a long term comprehensive plan. There were ten examples of projects completed in the past eleven years. Over the past two years, the Town replaced two sections of sewer main. The Applicant does not appear to have a formal CIP, however they have listed several water and sewer projects that need to be completed. The Applicant stated that the Town has supported the collection of fees to cover the cost of properly operating and maintaining the

system. In 1993, the Applicant doubled the water and sewer rates to establish a reserve account for future improvements. The Applicant stated that monies from this reserve account are designated for rehabilitation of the Town's water storage tank and local match for the project.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED
Of the 600 points possible for this statutory priority, the Applicant was scored: 332 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$23,125
% persons at or below LMI	28%
% persons at or below poverty	5.9%

- The analysis for this applicant shows that the:
- median household income is 25th out of the 41 applications;
 - relative concentration of persons living at or below the low and moderate income level is 38th out of the 41 applications;
 - relative concentration of persons living at or below the poverty level is 40th out of the 41 applications.

Household Economic Condition Analysis Ranking: 34th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$36.92	97%
Monthly Rate With No Assistance	\$59.68	156%
Monthly Rate With Assistance	\$51.69	136%

Target Rate Analysis Ranking: 21st in the field of 41 applications.

Overall Competitive Ranking: 27th in the field of 41 applications = 332 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 3, 300 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
SRF	Loan	\$675,000	Application submitted
Town	Revenue Bond	\$58,600	Committed to obtaining
Total		\$733,600	

The Applicant demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are important to enable the project to proceed. The Applicant documented reasonable efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. The Applicant adequately evaluated all reasonable funding sources and is applying to those programs for which it is eligible. A DNRC loan was discussed by the Town Council, but they decided to pursue a lower interest rate loan. According to the Applicant, the Town's LMI and MHI levels prevent them from being eligible for CDBG or RD grants.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees greater than 110% of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS**Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points**

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents an infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant stated that if the infrastructure improvements are not made it could hinder future growth in the area.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS**Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points**

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that the proposed project will not have a direct impact on the expansion of a business.

Statutory Priority #9: MAINTAINS TAX BASE**Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points**

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that by providing a safe and sanitary wastewater treatment system, potential residents and business owners will be enticed to relocate to the community. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT**Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points**

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Applicant held a public hearing on May 19, 1998 to discuss the project and the TSEP Program. According to the Applicant, the hearing included discussion about the proposed project and its cost. The Applicant stated that seven local residents attended and there were no negative comments. However, the Applicant did not include minutes of the meeting or a sign-in sheet. The Applicant stated that posters advertising the hearing were placed at 12 different locations around the community. The application included a copy of the flyer that was posted, a copy of the legal notice, and several newspaper articles that discussed the wastewater and treatment problems. The application also contained several letters from businesses supporting the proposed improvements to the wastewater system.

Environmental Impact

The Uniform Environmental Checklist was prepared by a contracted grant writer with assistance from the project engineer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. The DOC review engineer stated that "No information was provided regarding the plan for removal, drying (if any) and the location for disposal. This is a significant undertaking and requires that a plan be developed and approved by U.S. EPA." Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE
PROJECT NO. 40
APPLICANT: HOMESTEAD ACRES WATER AND SEWER DISTRICT, CASCADE COUNTY

Type of Project: **Water System Improvements**

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	\$168,000	\$100,000 RRGL Grant
		\$113,400 CDBG Grant
		<u>\$ 50,000 District</u>
Total	\$168,000	\$263,400

Project Total: \$431,400

Percent Matching Funds:	61%	Existing Combined Monthly Rate:	NA
Population:	1,470	Target Monthly Water Rate:	\$32.29
Number of Households:	152	Monthly Rate With No Assistance:	\$63.13
Number of Total Hookups:	152	Monthly Rate With TSEP Funding:	\$53.78
Median Household Income:	\$30,750	Variance From Target Rate:	167%
Existing Monthly Water Rate:	\$62.00		
Existing Monthly Wastewater Rate:	NA		

Project Summary:

Problem - The District's water system has several deficiencies including:

1. deterioration and corrosion,
2. insufficient water volume because one supply well and two storage reservoirs are inoperable,
3. significant pressure fluctuations which results in dangerously high pressures at residences or not enough pressure is available to supply water throughout the system,
4. poor water quality, and
5. excess chlorination due to non-looping water mains resulting in the production of dangerous trihalomethanes and undesirable water taste.

Proposed Solution - The proposed project would construct a new supply well and pressure reducing station, and install approximately 5,100 feet of new distribution main.

his project received 2,348 points out of a possible 5,500 points.
This project ranked 40th out of 41 applications.

DOC RECOMMENDATIONS FOR FUNDING: No funding.

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 2, 400 Points

There are several deficiencies in the District's drinking water system as identified in the Project Summary on the preceding page. The DOC review engineers agreed that there are deficiencies with the District's water supply and distribution system, however, they did not view the deficiencies to be as serious as the deficiencies presented by in other applications. The Applicant stated that water supply does not meet demands, there is inadequate water storage, and distribution pressures range from near zero to over 100 psi. The Applicant also stated that the use of Well #2 has been discontinued due to poor water quality, and that during peak summer use the two other wells do not provide sufficient water to meet the domestic and irrigation demands of the District. As a result, the District currently hauls water from Great Falls to fill two of the storage reservoirs. The Applicant stated that the poor water quality from Well #2 is likely the result of the aquifer, which is known for producing moderate to poor quality water. However, the DOC review engineer stated that no information is provided to substantiate why the water is of poor quality. It also appears that the water supply wells cannot satisfy the DEQ standard of meeting or exceeding the maximum daily demand. The preliminary engineering analysis asserts that little or no pressures occur during peak use periods leaving many users without water during possible emergencies. The results of the hydraulic analysis show that water system pressures drop in some locations to just above 2.0 psi during peak periods. The DOC review engineer stated that it is difficult to interpret the raw model results and a summary table in the text with more discussion would have been helpful. It appears from the model results, however, that pressures at demand nodes (i.e. residences) are above 35 psi. In some cases pressures exceed 100 psi. There was no written documentation from state or federal agencies which substantiates the seriousness of the deficiency.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that the proposed TSEP project is not necessary to comply with a court order or a state or federal agency directive. However, the current condition of the water supply and distribution system does violate the DEQ Circular WQB 1 - Standards for Water Works. The DEQ design standards which are being violated potentially represent a threat to public health and safety. The preliminary engineering analysis merely states that the low pressures result in an extremely unsafe condition leaving many users without water during possible emergencies. There is no documentation discussing how many times the system has run out of water or if it ever has. The Applicant also states that the high pressures in the system creates extremely dangerous conditions to users and maintenance workers. No other information is provided pertaining to this issue such as documentation from maintenance personnel concerning problems associated with high pressure.

The proposed improvements to Well #2 is a reasonably complete and long-term solution to the water supply problem. However, the proposed improvements to the distribution system may not be the appropriate solution to the District's problems at this time. These improvements do not result in any dramatic effects regarding pressure and chlorine residual problems. The DOC review engineer stated there are questions concerning the proposed option for solving the problems in the distribution system. The hydraulic analysis showed no dramatic effects regarding pressure differentials with the looped system. The Applicant stated that these improvements will make a big difference when all 490 users are connected to the system, in spite of the fact that there are only 152 residential hookups currently and 192 projected at the completion of the proposed project. Another reported advantage of looping water mains is to eliminate the stagnant water at the end of the dead-end water mains. However, it is unclear how

looping will have a "dramatic" effect on this problem. Connecting two dead-end mains which see virtually no demand will most likely result in a section of pipe full of stagnant water. Granted there will be some movement of water through the new pipe as pressure fluctuate. A greater benefit would be seen if there was a large demand at the end of one (or both) of the dead-ends. It seems that the do nothing option, which was not considered, may be the most appropriate and cost effective solution at this time.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points

The DOC review engineer stated that the project does address the problem, but does not necessarily provide a complete and long-term solution in relation to the Applicant's financial capacity. Therefore, it does not seem appropriate to the DOC review engineer for the District to take on this entire project at this time, especially considering that the improvements will not have any "dramatic effects" regarding pressure chlorine residual problems. It was also unclear what impact the replacement of the pressure reducing valve will have on the distribution system. Technically, the proposed design will solve the District's problems, and the replacement of well No. 2 is the most cost effective and appropriate solution to the District's water supply problem. However, the costs for the alternative which considered connection to the Great Falls water system seemed extremely high. Project costs were not broken down, and it was therefore impossible to determine if costs were reasonable. A more realistic cost estimate may have made this option more viable, especially in the long term.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 2, 280 Points

This project would result in a below average benefit to the public commensurate with the amount of financial assistance requested. Even though TSEP funds are extremely important to enable the project to proceed, the DOC review engineers did not view the District's water deficiencies as being properly documented and as serious of a problem as presented in other applications. In particular, it did not seem appropriate to the DOC review engineer for the District to take on this entire project at this time, considering the Applicant's financial capacity and that some of the improvements will not have any "dramatic effect." The Applicant stated that there are 490 households that will be served by the project, however, they are only projecting 192 hookups after the project. The difference is the unsold lots within the District. As already stated, some of the proposed improvements will not have the intended impact without most of the unsold lots being hooked up to the system.

The District has a new service connection fee of \$1,000 and a minimum monthly usage fee of \$40. Water meters are required and the District has use restrictions. No specific rate increases or previous planning efforts were discussed.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED

Of the 600 points possible for this statutory priority, the Applicant was scored: 348 Points

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41st indicates least financial need.

Indicator 1. Household Economic Condition Analysis:

MHI	\$30,750
% persons at or below LMI	14%
% persons at or below poverty	3.7%

The analysis for this applicant shows that the:

- median household income is 40th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 41st out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 41st out of the 41 applications.

Household Economic Condition Analysis Ranking: 41st in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$62.00	192%
Monthly Rate With No Assistance	\$63.13	196%
Monthly Rate With Assistance	\$53.78	167%

Target Rate Analysis Ranking: 8th in the field of 41 applications.

Overall Competitive Ranking: 24th in the field of 41 applications = 348 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES

Of the 500 points possible for this statutory priority, the Applicant was scored: Level 4, 400 Points

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
RRGL	Grant	\$100,000	Applied/No Decision
CDBG	Grant	\$113,400	Will Apply in 1999
District	Reserves	\$50,000	Committed
Total		\$263,400	

The Applicant clearly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources; therefore, TSEP funds are extremely important to enable the project to proceed. The Applicant documented serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate sources to assist in financing the proposed project. There was no discussion of using RD or SRF funds, in part the reviewer suspects,

because the District does not intend to assume any debt through this project. However, there was also no discussion of using an RD grant, probably because of the District's high MHI. It should be noted that the average monthly rates are estimated to decrease by \$17.26 as a result of decreased O&M expenses after the project is completed.

In addition, DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 150% or greater of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 1, 80 Points

The proposed project would not provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the water system. The proposed project represents an infrastructure improvement that serves a residential area.

The Applicant indicated that other than the potential increase in the number of people needed by the District to operate and manage the system, this project should not result in any increase in long-term jobs.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 1, 60 Points

The proposed project would not provide public facilities necessary for the expansion of a business that has a high potential for financial success. The proposed project represents a general infrastructure improvement that does not appear to be necessary to any business development, since the area served by the project is residential only.

The Applicant indicated that there are no businesses within the District by stating that the only hookups are residential. The Applicant did not discuss any proposed businesses.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 1, 40 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, however, the proposed improvements are not clearly needed to maintain the taxable valuation of property.

The Applicant stated that the proposed project will ultimately increase the population within the District and encourage the expansion of the tax base. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 3, 60 Points

The Applicant met the minimum requirements needed to demonstrate that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting and informed the public of the estimated cost per household.

The Applicant stated that it held several meetings, but provided minutes of only one meeting held in April, 1998. There is no indication or documentation related to the advertisement of the meeting. The minutes indicate that residents were informed of costs associated with the selected alternatives, but the attachment to the minutes showing costs was not included in the application.

Environmental Impact

The Uniform Environmental Checklist was prepared by a private engineering firm. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

TSEP APPLICATION RANKING SUMMARY FOR THE 1999 LEGISLATURE**PROJECT NO. 41****APPLICANT: CITY OF FORSYTH****Type of Project:** Wastewater System Improvements

Funding Sources:	<u>TSEP Request</u>	<u>Matching Funds</u>
	<u>\$ 500,000</u> Grant	<u>\$709,200</u> SRF Loan
Total	\$ 500,000	\$709,200

Project Total: \$1,209,200

Percent Matching Funds:	59%	Existing Combined Monthly Rate:	\$41.62
Population:	2,178	Target Combined Monthly Rate:	\$44.10
Number of Households:	819	Monthly Rate With No Assistance:	\$51.80
Number of Total Hookups:	948	Monthly Rate With TSEP Funding:	\$47.36
Median Household Income:	\$26,729	Variance From Target Rate:	107%
Existing Monthly Water Rate:	\$30.15		
Existing Monthly Wastewater Rate:	\$11.47		

Project Summary:

Problem - The City's wastewater system has several deficiencies resulting in excessive infiltration and inflow to the wastewater treatment plant, including:

1. missing pipe wall sections,
2. cracked pipe,
3. open and misaligned pipe joints,
4. broken manhole covers and frames, and
5. unsealed lateral collections.

Proposed Solution - The proposed project would replace approximately 8,800 linear feet of existing collection lines and replace or rehabilitate 44 manholes.

This project received 2,315 points out of a possible 5,500 points.**This project ranked 41st out of 41 applications.****DOC RECOMMENDATIONS FOR FUNDING: No funding.**

The score on each of the statutory priorities reflects the extent to which the project meets the intent of the statutory priority. Applications were scored using five levels, with a "level 5" equal to the highest possible score.

Statutory Priority #1: SOLVES URGENT HEALTH/SAFETY PROBLEM

Of the 1,000 points possible for this statutory priority, the Applicant was scored: Level 2, 400 Points

There are several deficiencies in the wastewater system as identified in the Project Summary on the preceding page. The DOC review engineer stated that excessive infiltration has been reasonably documented with historical plant flow data, but the source of that infiltration within the collection system has not been documented sufficiently. The DOC review engineer also stated that the problem is not as urgent and the public health and environmental impacts not as direct, continual and chronic as other TSEP applicants.

Statutory Priority #2: MEETS HEALTH/SAFETY STANDARDS

Of the 900 points possible for this statutory priority, the Applicant was scored: Level 2, 360 Points

The DOC review engineer stated that there is no existing court order or agency directive nor is there a violation of a public health or safety standard. The DOC review engineer added that any such orders, directives or violations are potential in nature only and would not be of a continual or chronic nature. The violation would be a singular event as a result of a large precipitation event. Finally, the DOC review engineer stated that the degree to which the proposed solution would solve the potential problem is not well documented.

Statutory Priority #3: PROVIDES COST EFFECTIVE TECHNICAL DESIGN

Of the 800 points possible for this statutory priority, the Applicant was scored: Level 2, 320 Points

The DOC review engineer stated that the source or quantity of infiltration being removed by the proposed project has not been sufficiently documented. Also, inflow impacts were not addressed. The DOC review engineer further stated that alternative influent controls to the plant may significantly mitigate the problem and this was not discussed by the Applicant. Accordingly, the DOC review engineer is concerned that the proposed solution will not solve the problem in its entirety and may not be the most cost effective or appropriate solution.

Statutory Priority #4: BENEFITS TO PUBLIC COMPARED TO FINANCIAL ASSISTANCE REQUESTED

Of the 700 points possible for this statutory priority, the Applicant was scored: Level 2, 280 Points

The project would result in a below average benefit to the public commensurate with the amount of financial assistance requested. The City's public health threat is not as serious as other TSEP applicants and it is questionable whether the proposed solution will solve the problem. In addition, the Applicant weakly demonstrated that TSEP participation is important for this project to proceed.

The City adopted a CIP in 1998. The Applicant stated that the City has a preventive maintenance schedule in place to ensure regular cleaning of every collection pipe in the system every four to five years. A 10% increase to the sewer rates was implemented in December 1997.

Statutory Priority #5: REFLECTS GREATER FINANCIAL NEED**Of the 600 points possible for this statutory priority, the Applicant was scored: 255 Points**

The score for Statutory Priority #5 is based on a weighted distribution of 600 possible points that is determined by the analysis of two financial indicators. The lower the ranking indicates a greater financial need. For example, ranking 1st indicates a greatest need; ranking 41 st indicates least financial need

Indicator 1. Household Economic Condition Analysis:

MHI	\$26,729
% persons at or below LMI	33%
% persons at or below poverty	11.7%

The analysis for this applicant shows that the:

- median household income is 38th out of the 41 applications;
- relative concentration of persons living at or below the low and moderate income level is 35th out of the 41 applications;
- relative concentration of persons living at or below the poverty level is 30th out of the 41 applications.

Household Economic Condition Analysis Ranking: 37th in the field of 41 applications.

Indicator 2. Target Rate Analysis:

	Monthly Rate (\$)	Variance From Target Rate
Existing Monthly Rate	\$41.62	94%
Monthly Rate With No Assistance	\$51.80	117%
Monthly Rate With Assistance	\$47.36	107%

Target Rate Analysis Ranking: 30th in the field of 41 applications.

Overall Competitive Ranking: 37th in the field of 41 applications = 255 Points.

Statutory Priority #6: OBTAINS FUNDS FROM OTHER SOURCES**Of the 500 points possible for this statutory priority, the Applicant was scored: Level 2, 200 Points**

FUNDING SOURCE	TYPE OF FUNDS	AMOUNT	STATUS
SRF	Loan	\$709,200	Applied/No Decision
Total		\$709,200	

The Applicant weakly demonstrated that TSEP funds are necessary to enable the local government to obtain funds from other sources or that TSEP funds are important to enable the project to proceed. All appropriate funding sources were discussed and reasonable explanations were provided for not utilizing the other funding sources. The Applicant stated that the City is not 51% LMI, and therefore, not CDBG eligible. The Applicant stated that the RD loan terms for the City are 5 1/8%. The Applicant stated that the ten year term for INTERCAP is not adequate for affordability and the interest rate is higher than the proposed loan source. The Applicant stated that the loan terms associated with a loan from DNRC are not the most favorable for the City, and that the current market rate for a revenue bond is anticipated to be higher than the proposed loan source.

DOC considered the "gap" between the Applicant's target rate and the proposed user fee, both with TSEP assistance and without TSEP assistance, to determine how critical TSEP funds are financially to the proposed project being able to proceed. With TSEP participation, the Applicant will have user fees 110% or less of target rate.

Statutory Priority #7: PROVIDES LONG-TERM, FULL-TIME JOBS FOR MONTANANS

Of the 400 points possible for this statutory priority, the Applicant was scored: Level 2, 160 Points

The proposed project would indirectly provide long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the wastewater system. The project represents a general infrastructure improvement that generally increases business and job opportunities, or provides the infrastructure needed to provide housing that is necessary to provide job opportunities. The Applicant did not specifically indicate, or provide documentation, that the proposed project would directly result in the creation or retention of any long-term, full-time jobs other than those related to the construction or operation of the wastewater system.

The Applicant discussed how a fully functional sewer system is an essential element of municipal infrastructure. The Applicant stated that the impact on job creation or retention cannot be specifically identified; however, a breakdown in basic infrastructure adversely affects existing and new businesses, with an associated risk of job loss.

Statutory Priority #8: ALLOWS EXPANSION OF BUSINESS

Of the 300 points possible for this statutory priority, the Applicant was scored: Level 2, 120 Points

The proposed project would indirectly provide public facilities necessary for the expansion of businesses that have a high potential for financial success. The project represents a general infrastructure improvement that indirectly increases business opportunities. The Applicant did not indicate that any specific businesses were dependent upon the proposed improvements being made.

The Applicant stated that the improvements are not directly related to business expansion or creation, however, failure of the collection system and/or treatment plant would have a significant impact on existing businesses or business expansion.

Statutory Priority #9: MAINTAINS TAX BASE

Of the 200 points possible for this statutory priority, the Applicant was scored: Level 3, 120 Points

The proposed project should maintain the tax base, and does not discourage expansion of the tax base. The proposed project represents a general infrastructure improvement that benefits the project area, and

the proposed improvements are clearly needed to maintain the taxable valuation of residential and/or a reasonably significant amount of developed commercial or industrial property.

The Applicant stated that providing adequate infrastructure will support the property tax base in the area. No appropriate private sector alternatives to this project were identified.

Statutory Priority #10: HAS STRONG COMMUNITY SUPPORT

Of the 100 points possible for this statutory priority, the Applicant was scored: Level 5, 100 Points

The Applicant clearly demonstrated that the proposed project is a high priority and has strong community support. The Applicant held at least one public hearing or meeting, and informed the public of the estimated cost per household. In addition, the Applicant documented several other efforts to ensure that this project is a high local priority, and adequately documented public support for the project.

The Applicant held two public hearings to discuss the project and its potential funding. The Applicant included the minutes from these public hearings. Project funding, cost per household, and the estimated rate increase was discussed at the second hearing. A community needs assessment survey was conducted in March of 1998. The survey indicates that 82% of the community supports the replacement of the lines. A CIP was adopted in 1998. The rehabilitation of the south side collection system was identified as the top priority of the CIP.

Environmental Impact

The Uniform Environmental Checklist was prepared by the grant writer. The DOC review engineer stated that the Applicant adequately assessed the potential environmental impacts for this project and that no adverse long-term environmental impacts are anticipated as a result of this project. The Applicant identified the potential of encountering fuels during excavation and will be mitigated. Based on the information provided, the project will likely have beneficial impacts on the natural and human environment.

APPENDIX A

ENABLING STATUTE

The Treasure State Endowment Program was authorized by Montana voters with the passage of Legislative Referendum 110 on June 2, 1992. The law has been codified as Sections 90-6-701 through 90-6-710, MCA.

90-6-701. Treasure state endowment program created -- definitions. (1) (a) There is a treasure state endowment program that consists of:

- (i) the treasure state endowment fund established in 17-5-703;
- (ii) the infrastructure portion of the coal severance tax bond program provided for in 17-5-701(2).

(b) The treasure state endowment program may borrow from the board of investments to provide additional financial assistance for local government infrastructure projects under this part, Provided that no part of the loan may be made from retirement funds.

(2) Interest from the treasure state endowment fund and from proceeds of the sale of bonds under 17-5-701(2) may be used to provide financial assistance for local government infrastructure projects under this part and to repay loans from the board of investments.

(3) As used in this part, the following definitions apply:

- (a) "Infrastructure projects" means:
 - (i) drinking water systems;
 - (ii) wastewater treatment;
 - (iii) sanitary sewer or storm sewer systems;
 - (iv) solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or
 - (v) bridges.
- (b) "Local government" means an incorporated city or town, a county, a consolidated local government, or a county or multi-county water, sewer, or solid waste district.
- (c) "Treasure state endowment fund" means the coal severance tax infrastructure endowment fund established in 17-5-703(1)(b).
- (d) "Treasure state endowment program" means the local government infrastructure investment program established in subsection (1).

90-6-702. Purpose. The purpose of the treasure state endowment program is to assist local governments in funding infrastructure projects that will:

- (1) create jobs for Montana residents;
- (2) promote economic growth in Montana by helping to finance the necessary infrastructure;
- (3) encourage local public facility improvements;
- (4) create a partnership between the state and local governments to make necessary public projects affordable;
- (5) support long-term, stable economic growth in Montana;
- (6) protect future generations from undue fiscal burdens caused by financing necessary public works;
- (7) coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
- (8) enhance the quality of life and protect the health, safety, and welfare of Montana citizens

90-6-703. Types of financial assistance available. (1) The legislature shall provide for and make available to local governments the following types of financial assistance under this part.

- (a) matching grants for local infrastructure projects;
- (b) annual debt service subsidies on local infrastructure projects; and
- (c) loans from the proceeds of coal severance tax bonds at a subsidized interest rate.

(2) The department of natural resources and conservation and the department of commerce:

(a) may adopt rules to commit to interest rate subsidies for local infrastructure projects and may allow the subsidies to be paid over the life of the loan or bonding period; and

(b) may make deferred loans to local governments for preliminary engineering study costs. The applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full project. Repayment may be postponed until the overall construction financing is arranged.

90-6-704 through 90-6-709 reserved.

90-6-710. Priorities for projects -- procedure -- rulemaking. (1) The department of commerce must receive proposals for projects from local governments as defined in 90-6-701(3)(b). The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. The department shall prepare and submit a list containing the recommended projects and the recommended form of financial assistance for each project to the governor, prioritized pursuant to subsection (2). The governor shall review the projects recommended by the department and shall submit a list of recommended projects and the recommended financial assistance to the legislature.

(2) In preparing recommendations under subsection (1), preference must be given to projects based on the following order of priority:

- (a) projects that solve urgent and serious public health or safety problems;
 - (b) projects that enable local governments to meet state or federal health or safety standards;
 - (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;
 - (d) projects that result in a benefit to the public commensurate with the amount of financial assistance. However, the benefit to the public may not be measured by population alone.
 - (e) projects that reflect greater need for financial assistance than other projects;
 - (f) projects that enable local governments to obtain funds from sources other than the funds provided under this part;
 - (g) projects that provide long-term, full-time job opportunities for Montanans;
 - (h) projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success;
 - (i) projects that maintain the tax base or that do not discourage expansion of the tax base; and
 - (j) projects that are high local priorities and have strong community support.
- (3) After the review required by subsection (1), the projects must be approved by the legislature.
- (4) The department shall adopt rules necessary to implement the treasure state endowment program.

APPENDIX B

STATUS OF PROJECTS APPROVED BY THE 1993, 1995 and 1997 LEGISLATURES

PROJECTS APPROVED BY THE 1993 LEGISLATURE

For the fiscal years 1994 and 1995, 32 applications requesting \$11,627,000 in TSEP funds were submitted. The 1993 Legislature approved 24 projects totaling \$4,134,458 in TSEP funds.

NAME OF APPLICANT	Anaconda-Deer Lodge	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 350,000	
OTHER FUNDS	\$4,725,000	Revenue Bonds
	<u>\$ 375,000</u>	CDBG Grant
TOTAL PROJECT	\$5,450,000	

PROJECT SUMMARY: Anaconda-Deer Lodge was required to improve its water system to comply with state and federal water quality standards. The City was under a DEQ boil order. Major elements of the project included: construction of a water storage tank and related transmission piping and equipment, renovation of the system's three existing wells, construction of three new wells, improvement of the pumping facilities, and improvements to the distribution system, primarily focusing on main replacement under Anaconda's two major arterial streets in conjunction with a MDT pavement renewal project.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Beaverhead County	
PROJECT TYPE	Solid Waste	
TSEP GRANT	\$160,000	
OTHER FUNDS	<u>\$160,000</u>	Applicant's Funds
TOTAL PROJECT	\$320,000	

PROJECT SUMMARY: The landfill was located directly above City of Dillon's water supply and the Beaverhead River. The situation was considered a significant threat to public health, and there was a DEQ mandate to close and reclaim the site. Major elements of the project included: covering the old site, contouring and building diversion ditches for rainfall and runoff, reseeding the area with native vegetation, and implementing an on-going, 30-year monitoring program.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Butte-Silver Bow	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 300,000	
OTHER FUNDS	<u>\$24,406,000</u>	Revenue Bonds
TOTAL PROJECT	\$24,706,000	

PROJECT SUMMARY: Butte-Silver Bow was required to improve its water system to comply with state and federal water quality standards. Major elements of the project included: various improvements to the water transmission and distribution system, various water storage improvements including the construction of a new ten million gallon storage tank and a new reservoir, and the construction of two new water treatment plants.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Carbon County	
PROJECT TYPE	Bridge	
TSEP GRANT	\$ 25,000	
OTHER FUNDS	\$ 70,500	Applicant's Funds
	<u>\$ 45,100</u>	U.S. Forest Service Grant
TOTAL PROJECT	\$140,600	

PROJECT SUMMARY: The Sand Ford Bridge provides access to the East Rosebud Canyon area south of Roscoe. The MDT considered the bridge an urgent and serious safety problem because it violated state bridge standards and is used by 200 vehicles per day during summer months. Major elements of the project included the construction of a new bridge complete with abutments and approaches.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Circle	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 370,000	
OTHER FUNDS	\$ 300,000	CDBG Grant
	\$ 872,600	RD Loan
	<u>\$1,300,000</u>	RD Grant
TOTAL PROJECT	\$2,842,600	

PROJECT SUMMARY: Circle had received a noncompliance order from DEQ because of health risks posed by excessive fluorides and sodium in water supply, in violation of federal and state water quality standards. Major elements of the project included: a new reverse osmosis water treatment plant and water distribution lines.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Dutton	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 50,000	
OTHER FUNDS	\$ 66,319	RRGL Grant
TOTAL PROJECT	\$116,319	

PROJECT SUMMARY: The project was needed to provide adequate capacity for fire fighting. Major elements of the project included: installation of a reliable transmission line, installation of a gas chlorination system, and improvements to the pumping station's valve work and piping.

PROJECT STATUS: Project completed, waiting for conditional closeout. Drawdown completed less 5% retainage.

NAME OF APPLICANT	Ennis	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 100,000	
OTHER FUNDS	\$1,100,000	RRGL Loan
	\$ 400,000	CDBG Grant
	<u>\$ 5,000</u>	Applicant's Funds
TOTAL PROJECT	\$1,605,000	

PROJECT SUMMARY: The project was needed to provide adequate capacity for fire fighting. The major elements of the project included: construction of a new 500,000 gallon storage tank and the associated transmission main, a booster pump station, various distribution system improvements, and the replacement of inoperable fire hydrants.

PROJECT STATUS: Project completed, waiting for conditional closeout. Drawdown completed less 5% retainage.

NAME OF APPLICANT	Froid	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 117,000	
OTHER FUNDS	\$ 25,000	Applicant's Funds
	\$ 938,500	RD Grant
	<u>\$ 220,000</u>	RD Loan
TOTAL PROJECT	\$1,300,500	

PROJECT SUMMARY: The project was needed to provide adequate capacity for fire fighting and the Town had substandard drinking water due to high sodium, manganese, nitrate and sulfate water contaminants. Major elements of the project included: a reverse osmosis water treatment system, and a new storage tank with an improved water chlorination system.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Harlem	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$217,300	
OTHER FUNDS	\$170,795	CDBG Grant
	\$186,905	EDA
	\$122,000	Bank Loan
	<u>\$ 43,825</u>	Applicant's Funds
TOTAL PROJECT	\$740,825	

PROJECT SUMMARY: The project was needed to provide adequate capacity for fire fighting. Major elements of the project included the construction of a new 400,000 gallon tank with an improved the water chlorination system.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Helena	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 275,068	
OTHER FUNDS	<u>\$ 825,203</u>	Applicant's Funds
TOTAL PROJECT	\$1,100,271	

PROJECT SUMMARY: The project was needed to provide adequate capacity for fire because of deficiencies in water storage and main capacity in that portion of the City. Major elements of the project included: a new 200,000 gallon reservoir, new or replaced water mains, six fire hydrants, and a pumping station.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Lewistown	
PROJECT TYPE	Storm Drainage	
TSEP GRANT	\$ 60,000	
OTHER FUNDS	<u>\$168,625</u>	Applicant's Funds
TOTAL PROJECT	\$228,625	

PROJECT SUMMARY: The project was needed because poor drainage in a twelve block area of the north central portion of the City caused standing water which deteriorated streets, created traffic hazards, and impacted neighboring residential and business properties. Major elements of the project included: the installation of a subsurface conduit for the collection and conveyance of storm water.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Livingston	
PROJECT TYPE	Storm Drainage	
TSEP GRANT	\$100,000	
OTHER FUNDS	<u>\$100,000</u>	Applicant's Funds
TOTAL PROJECT	\$200,000	

PROJECT SUMMARY: A storm drainage system in a 27 block area on the east side of Livingston had deteriorated to the point that much of the system had collapsed. As a result, there was inadequate drainage of storm runoff and subsequent damage to private and public properties. Major elements of the project included: construction of collection drain inlets, storm drain pipes, and the outfall structure. In addition, the entire system is now located in the public right-of-way.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Missoula County-Sunset West Subdivision	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$154,107	
OTHER FUNDS	<u>\$221,228</u>	SRF Loan/Rural Improvement District
TOTAL PROJECT	\$375,335	

PROJECT SUMMARY: Residents of the subdivision have little or no drinking water due to contamination and failure of existing wells. The DEQ issued an administrative compliance order to the subdivision to provide an adequate water supply. The major elements of the project include: a new off-site well and 10,000 linear feet of water main to connect the well to the existing storage tank.

PROJECT STATUS: Under construction.

NAME OF APPLICANT	Neihart	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$544,673	
OTHER FUNDS	\$150,000	RRGL Loan
	<u>\$ 14,196</u>	Applicant's Funds
TOTAL PROJECT	\$708,860	

PROJECT SUMMARY: The Town was under state district court order to improve its water system to comply with state and federal water quality standards, and was under a DEQ boil order since 1982. Major elements of the project included the construction of a new water treatment plant.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Richland County	
PROJECT TYPE	Solid Waste	
TSEP GRANT	\$ 285,000	
OTHER FUNDS	\$ 785,140	Bank Loan
	\$ 109,860	County Solid Waste District
	<u>\$ 102,500</u>	Applicant's Funds
TOTAL PROJECT	\$1,180,000	

PROJECT SUMMARY: The county landfill polluted groundwater and domestic wells located within a one mile radius of the landfill. Major elements of the project included: closing the existing landfill and purchasing a site for and construction of a new landfill.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Ronan	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$100,000	
OTHER FUNDS	\$ 90,000	Applicant's Funds
	\$400,000	CDBG Grant
	\$405,832	SRF Loan
	<u>\$114,500</u>	DEQ Grant
TOTAL PROJECT	\$879,662	

PROJECT SUMMARY: The City's sewage collection and treatment system was in violation of federal and state water quality standards. Major elements of the project included: rehabilitation of the wastewater treatment facility including retrofitting the aeration system in three cells and constructing a wetlands in the fourth, rehabilitation of the lift station, improvements to the collection system to remove sedimentation, replacement of concrete and wood lines with PVC pipe to limit ground water infiltration, increasing slope and pipe diameters to boost flow capacity, upgrading the lift/ejector station, and constructing a second highway crossing and new interceptor sewer to re-route east and southeast flows to the rehabilitated lift station.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Shelby	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 366,000	
OTHER FUNDS	\$ 200,000	CDBG Grant
	<u>\$ 481,000</u>	SRF Loan
TOTAL PROJECT	\$1,047,000	

PROJECT SUMMARY: Deteriorating sewage lines caused sewage to back up into numerous homes. Major elements of the project included: replacement of sewer lines and associated manholes accessing the lines.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Stillwater County- Reedpoint	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 200,000	
OTHER FUNDS	\$ 718,785	RD Grant
	\$ 137,600	RD Loan
	<u>\$ 400,000</u>	CDBG Grant
TOTAL PROJECT	\$1,456,385	

PROJECT SUMMARY: The community did not have a public sewer system, and groundwater and wells were contaminated by failing cesspools and septic tanks. Major elements of the project included: construction of a new community sewage collection and treatment system.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Yellowstone County	
PROJECT TYPE	Bridge	
TSEP GRANT	\$ 95,500	
OTHER FUNDS	\$ 51,079	Applicant's Funds
	<u>\$ 48,969</u>	United Industry (private development contribution)
TOTAL PROJECT	\$195,548	

PROJECT SUMMARY: The MDT considered the bridge a serious public safety issue, creating a traffic bottleneck and accidents. Major elements of the project included: replacement of the bridge with a new wider, four lane "bulb tee" bridge.

PROJECT STATUS: Project completed.

PROJECTS APPROVED BY THE 1995 LEGISLATURE

For fiscal years 1996 and 1997, 21 applications requesting \$7,195,129 in TSEP funds were submitted. The 1995 Legislature approved 15 projects totaling \$4,991,029 in TSEP funds.

NAME OF APPLICANT	Beaverhead County	
PROJECT TYPE	Bridge	
TSEP GRANT	\$23,000	
OTHER FUNDS	<u>\$23,000</u>	Applicant's Funds
TOTAL PROJECT	\$46,000	

PROJECT SUMMARY: Two bridges that linked the east and west portions of Lima, Montana, were deteriorated to the point where they must be closed or replaced. The Lima Town Council elected to close the smaller bridge and to replace the larger, Bailey Street Bridge. Major elements of the project included: improvements to the approaches, and construction of a new three sided concrete box bridge with guardrails.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Butte-Silver Bow	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$5,360,200	SRF Loan
	<u>\$1,000,000</u>	Applicant's Funds
TOTAL PROJECT	\$6,860,200	

PROJECT SUMMARY: As a result of federal regulations that went into effect in 1992, Butte-Silver Bow was required to discontinue the use of the sludge injection disposal facilities. Major elements of the project included: constructing facilities and purchasing equipment to treat and dispose of sludge. After treatment, sludge is now transported to, and disposed of at, the new solid waste landfill.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Conrad	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$180,000	
OTHER FUNDS	\$434,065	Applicant's Funds
	<u>\$ 50,000</u>	RRGL Grant
TOTAL PROJECT	\$664,065	

PROJECT SUMMARY: The City obtains its water supply from Lake Francis. Due to the potential for dam failure, the operation permit required that the water supply be obtained from a diversion facility instead of an outlet conduit with pressure pipes with in the earth-filled Lake Francis East Dam. Major elements of the project included: channel excavation and installation of gabions, water intake screens and piping, construction of a new pump station, relocation of existing pumps, removal of existing control gates, and demolition of the existing pump structure.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	East Glacier Park Water and Sewage District	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$306,555	
OTHER FUNDS	\$ 10,000	Applicant's Funds
	\$ 25,905	RRGL Grant
	\$513,135	EPA Grant
	<u>\$100,000</u>	IHS Grant
TOTAL PROJECT	\$747,510	

PROJECT SUMMARY: The District provides drinking water to approximately 400 people in Glacier County from an unfiltered surface water source. The District is under a Boil Order by DEQ and is required to install water treatment facilities by 1996. Major elements of the project includes construction of a surface water treatment plant.

PROJECT STATUS: Working on preliminary design engineering to determine most appropriate type of treatment.

NAME OF APPLICANT	Fairview	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 20,000	Applicant's Funds
	\$ 100,000	RRGL Grant
	\$ 470,000	RD Loan
	<u>\$ 700,000</u>	RD Grant
TOTAL PROJECT	\$1,818,000	

PROJECT SUMMARY: The Town's water source was very high in iron manganese and coal which fouled the town's domestic water meters. Through an earlier project the water quality was improved. Major elements of the project included: installation of new water meters, replacement of cast iron water mains with pvc pipe, and constructing a 300,000 gallon storage tank.

PROJECT STATUS: Project completed, waiting for conditional closeout. Drawdown completed less 5% retainage.

NAME OF APPLICANT	Gardiner/Park County	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 300,000	
OTHER FUNDS	\$ 175,000	Applicant's Funds
	<u>\$ 610,000</u>	RD Loan
TOTAL PROJECT	\$1,085,000	

PROJECT SUMMARY: There were several serious deficiencies with the District's water system. Major elements of the project included: construction of 1200 feet of new water mains, miscellaneous work at the spring to eliminate contamination of the spring and to correct the chlorination system, installation of a heat tracted pipe suspended from the bridge, development of a new well, installation of a new booster pump and expansion of the booster station.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Hamilton	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$137,632	
OTHER FUNDS	\$180,000	Applicant's Funds
	<u>\$350,000</u>	CDBG Grant
TOTAL PROJECT	\$667,632	

PROJECT SUMMARY: The City had chronic infiltration/exfiltration conditions in the sewage system, unsafe and inefficient lift stations, unsafe and inefficient manholes, and the inability to handle growth occurring in the City and the surrounding area. Major elements of the project included: replacement of an existing interceptor line, installation of a new sewer main and lift station, and the replacement of sewer manholes on Tenth Street.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Hill County Water District	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 250,000	Applicant's Funds
	<u>\$ 400,000</u>	RRGL Loan
TOTAL PROJECT	\$1,150,000	

PROJECT SUMMARY: The District provides water service to 717 households located within an area stretching from just west of Havre to Joplin. Due to EPA rules , the District must treat all water drawn from its Fresno surface water supply. The DEQ had given the District until the Fall of 1995, to comply with this requirement. Major elements of the project include: property acquisition, construction of a water treatment facility, and construction of new water lines.

PROJECT STATUS: The District is proposing to modify the approved project by connecting into a proposed regional water system referred to as the North Central Montana Regional Water System. The proposed alternative project would eliminate the construction of a water treatment facility at Fresno Reservoir and would instead construct new water lines and the infrastructure necessary to connect into the proposed North Central Montana Regional Water System.

NAME OF APPLICANT	Hysham	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$127,500	
OTHER FUNDS	\$ 27,500	Applicant's Funds
	<u>\$250,000</u>	RRGL Grant
TOTAL PROJECT	\$405,000	

PROJECT SUMMARY: The Town was facing severe deterioration of its sewer system, with the potential for the lagoon, septic systems and sewer main to pollute the surface and ground water. Major elements of the project included: replacement of sewer manholes, and creating a management plan for manhole replacement.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Lewistown	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$5,875,000	Revenue Bonds
	<u>\$ 100,000</u>	RRGL Grant
TOTAL PROJECT	\$6,475,000	

PROJECT SUMMARY: The City's two major transmission mains were installed in 1914 and 1938, respectively. Both of these mains were leaking badly, resulting in a loss of about 50% of the water entering the mains. Major elements of the project included: construction of a new transmission main, placement of distribution mains in the upper pressure zone, the construction of a new 1.5 million gallon storage tank and securing the water source site with a dome.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Powell County	
PROJECT TYPE	Bridge	
TSEP GRANT	\$ 51,334	
OTHER FUNDS	\$ 48,616	Applicant's Funds
	<u>\$ 30,000</u>	U.S. Forest Service
TOTAL PROJECT	\$129,950	

PROJECT SUMMARY: The Snowshoe Creek Bridge was a narrow, 24 year old, one-lane bridge crossing the Little Blackfoot River, that was inadequate and unsafe. Major elements of the project included: removal of the existing bridge and construction of a new bridge.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Seeley Lake Water District	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 464,364	
OTHER FUNDS	\$1,440,000	SRF Loan
	<u>\$ 17,100</u>	Applicant's Funds
TOTAL PROJECT	\$1,921,464	

PROJECT SUMMARY: The District was required, under federal regulations and by DEQ Administrative Order, to install water treatment facilities by 1996. Major elements of the project included: construction of a new water treatment plant, modification of the water pump station, and construction of new water lines connecting the pump station to the water treatment plant.

PROJECT STATUS: Project substantially completed, expected to be on line December 15, 1998.

NAME OF APPLICANT	Thompson Falls	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 400,644	
OTHER FUNDS	\$ 251,800	RD Loan
	<u>\$ 824,700</u>	RD Grant
TOTAL PROJECT	\$1,477,144	

PROJECT SUMMARY: The City had serious deficiencies in its sewer system resulting primarily from deteriorating sewer lines and excessive infiltration which was over-working the lift station and the treatment facility. In addition, many of the households throughout the city used septic tanks with dry wells or leach which threatened contamination of the aquifer and the Clark Fork River. Major elements of the project included: installation of sewer lines, constructing a new pump station and improvements to the sewage lagoon.

PROJECT STATUS: Project substantially completed, waiting for conditional closeout.

NAME OF APPLICANT	Troy	
PROJECT TYPE	New Wastewater System	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$1,436,600	RD Grant
	\$1,824,400	RD Loan
	\$ 528	Applicant's Funds
	<u>\$ 400,000</u>	CDBG Grant
TOTAL PROJECT	\$4,161,528	

PROJECT SUMMARY: Sewage treatment for the City consisted of substandard on-site septic systems which posed a public health threat due to surfacing effluent and groundwater contamination. Major elements of the project included construction of a new central sanitary sewer system including both collection and treatment facilities.

PROJECT STATUS: Project substantially completed, pre-final inspection December 18, 1998.

NAME OF APPLICANT	Whitehall	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 325,000	CDBG Grant
	<u>\$ 509,000</u>	RD Loan
TOTAL PROJECT	\$1,334,000	

PROJECT SUMMARY: The Town's water system had various deficiencies. Major elements of the project included: construction of a 500,000 gallon reservoir to replace two 100,000 gallon reservoirs, new distribution mains, piping and valves, improvement to one of the system's wells, and installation of water meters on residential and commercial services.

PROJECT STATUS: Project completed.

PROJECTS APPROVED BY THE 1997 LEGISLATURE

For fiscal years 1998 and 1999, 40 applications requesting \$17,079,532 in TSEP funds were submitted (\$15,524,536 in grant funds and \$1,554,996 in loan funds). The 1997 legislature approved 35 projects for TSEP grant funds totaling \$13,719,979, and 4 projects for TSEP loan funds totaling \$1,855,472. However, only 22 projects were actually provided grant funds totaling \$9,052,735.

NAME OF APPLICANT	Cascade	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 400,000	CDBG Grant
	\$ 100,000	RRGL Grant
	\$1,323,725	SRF Loan
	<u>\$ 6,500</u>	Applicant's Funds
TOTAL PROJECT	\$2,330,225	

PROJECT SUMMARY: Cascade's wastewater treatment system consisted of two lagoons that leaked so badly that they did not hold water, contaminating both groundwater and the Missouri River. In addition, storm sewer drains overloaded the sewer collection system during storm events and an antiquated lift station needed replacement. Major elements of the project included: relocating and replacing the wastewater collection and treatment facility with facultative lagoons and spray irrigation for disposal, and constructing a new lift station, storm drain lines and inlets.

PROJECT STATUS: Project completed, waiting for conditional closeout.

NAME OF APPLICANT	Chinook	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$313,555	
OTHER FUNDS	\$550,400	RD Loan
	\$ 71,000	RD Grant
	<u>\$ 17,479</u>	Applicant's Funds
TOTAL PROJECT	\$934,955	

PROJECT SUMMARY: There was inadequate disinfection contact time in the clear well and a boil order had been issued. The chemical feeds system was worn and needed replacement, and the raw water intake malfunctioned. Major elements of the project included: improvements to the intake structure; rehabilitating the existing disinfectant basins to provide additional disinfectant time; extending the intake pipe and screen into the river; and improvements in the chemical feed system to improve operations.

PROJECT STATUS: Under construction.

NAME OF APPLICANT	Coram	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 400,000	CDBG Grant
	<u>\$ 329,600</u>	RD Loan
TOTAL PROJECT	\$1,299,596	

PROJECT SUMMARY: Coram's existing water supply (Blue Lake Spring) may be subject to surface contamination and may not meet state and federal standards. Distribution mains and individual service lines experience significant leakage of over 20 million gallons a year. The system provides inadequate volumes of water and flows for fire protection. The project will provide a new groundwater source to replace the existing Blue Lake Spring. A test well and two production wells will be drilled and developed. Existing mains (smaller than 4") will be replaced with 6 and 8 inch PVC mains. New gate valves, fire hydrants and appurtenances will be constructed along with new mains. New meter pits will be constructed at the property lines for placement of water meters.

PROJECT STATUS: Waiting for TSEP funds to be released before it can proceed.

NAME OF APPLICANT	East Missoula Sewer District	
PROJECT NAME	Wastewater System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 100,000	RRGL Grant
	\$ 408,000	CDBG Grants
	\$ 23,925	EPA Grant
	\$ 100,000	Missoula Water Quality District
	\$3,110,562	SRF Loan
	<u>\$ 28,075</u>	Applicant's Funds
TOTAL PROJECT	\$4,270,562	

PROJECT SUMMARY: A high density of outdated individual cesspools and drainage pits are contaminating local drinking water wells resulting in health advisories and a permanent boil order issued by DEQ. The existing on-site wastewater systems have the potential to adversely impact the Missoula Valley Aquifer and the Clark Fork River. Major elements of the project as proposed included: construction of a wastewater treatment system with a gravity collection service, and land disposal using spray irrigation.

PROJECT STATUS: The District has not completed start-up conditions and is proposing to modify the project by connecting to the City of Missoula's wastewater system. As the engineering for the proposed project progressed, the District learned that the land that was to be used for the land application of treated wastewater was no longer available. The proposed alternative project would eliminate the construction of a wastewater treatment facility and would instead construct collection lines and a transmission main that would connect to the City of Missoula's wastewater system.

NAME OF APPLICANT	Fort Benton	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 480,244	
OTHER FUNDS	\$ 520,480	RRGL Loan
	<u>\$ 19,943</u>	Applicant's Funds
TOTAL PROJECT	\$1,020,667	

PROJECT SUMMARY: The Fort Benton water system had deteriorated water distribution lines, broken valves, undersized distribution lines, and no water meters, all of which contributed to low water pressure and a fire flow problems. Major elements of the project included: replacing several undersized distribution lines, installing additional distribution lines, and installing 546 water meters.

PROJECT STATUS: Under construction.

NAME OF APPLICANT	Fort Peck Rural Water/Sewer District	
PROJECT TYPE	New Water System	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$5,895,512	Federal Appropriation
	<u>\$ 904,488</u>	SRF Loan
TOTAL PROJECT	\$7,300,000	

PROJECT SUMMARY: Residents of the Fort Peck Rural County Water District do not have a central public water system. They have become ill from untreated drinking water; no ongoing monitoring or disinfection of drinking water in private water tanks, cisterns, or home storage facilities; water being contaminated because of storage in individual and unsanitary cisterns. The project will include construction of a new water treatment plant, water reservoir, intake, booster station, water mains, water service lines, installation of 54 hydrants, and water meters for each residential or commercial hook-up. The project will provide new full pressurized water service to all water users in the Park Grove, Wheeler, Duck Creek, and Cabin neighborhoods; and rural residences within the District's boundaries.

PROJECT STATUS: The District is still in the process of completing start-up conditions related to the commitment of funds. While the federal funds have been approved by Congress, only \$1.8 million have actually been appropriated. Currently, the District needs a portion of the TSEP funds to match the federal funds that are available to complete the final engineering design for the project. The District will sign an agreement to return the TSEP funds advanced if the project cannot be completed. Instead of constructing a new water treatment plant, the District has entered into an agreement with the Town of Fort Peck to share the water treated at the Town's water treatment plant. This would require that the water treatment plant be upgraded and expanded to accommodate the increased water usage. However, through this arrangement the overall project cost would decrease and the treatment plant would be brought into compliance with drinking water standards.

NAME OF APPLICANT	Glasgow	
PROJECT TYPE	Wastewater/Storm Drain Separation	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 56,804	Applicant's Funds
	\$ 400,000	CDBG Grant
	\$ 41,443	RRGL Grant
	<u>\$1,048,000</u>	SRF Loan
TOTAL PROJECT	\$2,046,247	

PROJECT SUMMARY: The Glasgow wastewater collection system had broken pipes and sinkholes in the ground above the breaks, and raw sewage was being pumped directly into the Milk River because the lift station could not handle the volume. There was raw sewage overflowing from manholes and backing up into basements. The City had been told to correct the problem or an administration order would be issued. Major elements of the project included: constructing a separate storm drain system. Approximately 16,700 feet of various sized storm drain pipes was installed, along with 70 new manholes.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Glendive	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	<u>\$ 864,000</u>	SRF Loan
TOTAL PROJECT	\$1,364,000	

PROJECT SUMMARY: There is inadequate disinfection contact time is provided at the water treatment plant. DEQ has issued a Public Notification of Treatment Technique Violation and has mandated improvements to the clear well to address the disinfection contact time requirements. The current clear well lacks enough storage capacity to properly treat a sufficient amount of water before it enters the transmission lines. The project will replace the existing water supply intake structure. The improvements will upgrade the existing clear well with baffling, and construct a new clear well for additional storage to satisfy the disinfection contact requirements.

PROJECT STATUS: Project ready to go to bid, but on hold because of CI-75 and need for vote.

NAME OF APPLICANT	Hamilton	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 478,000	Applicant's Funds
	<u>\$ 400,000</u>	CDBG Grant
TOTAL PROJECT	\$ 1,378,000	

PROJECT SUMMARY: There was inadequate capacity in the existing sludge drying and composting operation to accommodate the increased loading of new connections, and the secondary clarifiers, chlorine contact basin, grit removal chamber and lift pumps had a modest amount of capacity remaining, and did not meet the fire code and safety requirements. Major elements of the project included: expanding the solids storage, drying and biosolids composting, chlorination and dechlorination safety improvements, and secondary clarifier system, sludge control, and ventilation improvements.

PROJECT STATUS: Project completed, waiting for conditional closeout. Drawdown completed less 5% retainage.

NAME OF APPLICANT	Helena	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$	500,000
OTHER FUNDS	\$	904,177 City Reserves
	\$	500,000 City Cash
	<u>\$</u>	<u>8,152,000</u> SRF Loan
TOTAL PROJECT	\$10,056,177	

PROJECT SUMMARY: The City was not able to meet chronic toxicity requirements which has been identified to be correlated to effluent ammonia concentration. The AFB tower did not provide adequate treatment as designed. Existing secondary treatment limitations and problems identified during plant inspections included instrumentation and hydraulic deficiencies, and sludge disposal. Major elements of the project included: replacing the AFB tower with a nitrification process to allow the City to adequately treat ammonia toxicity and other toxicant.

PROJECT STATUS: Project ready to go to bid, but on hold because of CI-75 and need for vote.

NAME OF APPLICANT	Hill Co./Box Elder	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$	462,000
OTHER FUNDS	\$	322,105 CDBG Grant
	\$	300,000 EPA Grant
	<u>\$</u>	<u>26,000</u> District's Funds
TOTAL PROJECT	\$1,110,105	

PROJECT SUMMARY: According to DEQ, raw sewage was entering the existing cell and seeping into the ground or ponding without adequate treatment. Wastewater seepage entered the ground water just three to four feet below the bottom of the lagoon pond. The area was not fenced to avoid public access which represents a significant threat to public health and safety. Major elements of the project included: constructing a wastewater treatment facility with facultative lagoons and wetlands treatment.

PROJECT STATUS: Project completed, waiting for conditional closeout. Drawdown completed less 5% retainage.

NAME OF APPLICANT	Judith Gap	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$	130,000
OTHER FUNDS	\$	325,000 RD Grant
	<u>\$</u>	<u>325,000</u> RD Loan
TOTAL PROJECT	\$780,000	

PROJECT SUMMARY: The Town currently discharges raw sewage from two community septic tanks into Stevens Gulch, a state water. The wastewater is receiving little or no treatment before it is discharged into Stevens Gulch. DEQ has cited the Town for an illegal sewer discharge and issued a compliance schedule to address the serious health issue. The project will include construction of a total retention lagoon that will allow the Town to operate without a discharge permit. The evaporative retention lagoon will be lined to ensure that no wastewater leaks will occur from the bottom of the lagoon. The new lagoon will no longer discharge wastewater.

PROJECT STATUS: Project in final design.

NAME OF APPLICANT	Lakeside County Water and Sewer District	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 200,000	RRGL Loan
	\$ 400,000	SRF Loan
	<u>\$ 162,786</u>	Applicant's Funds
TOTAL PROJECT	\$1,262,786	

PROJECT SUMMARY: The Lakeside water system had deficiencies that resulted in low water pressure causing a fire flow problem. These deficiencies included: undersized distribution lines, dead-end distribution lines, limited well production, and no water meters. Major elements of the project included: replacing approximately 6,000 feet of existing distribution lines with eight inch lines, constructing a new high volume well, installing a meter on the original well, and installing approximately 173 meters for all users.

PROJECT STATUS: Under construction, estimated completion end of December, 1998.

NAME OF APPLICANT	Lewis and Clark County	
PROJECT TYPE	Bridge	
TSEP GRANT	\$ 64,125	
OTHER FUNDS	<u>\$192,375</u>	Applicant's Funds
TOTAL PROJECT	\$256,500	

PROJECT SUMMARY: A timber bridge crossing Prickly Pear Creek had rotten curbs, loose bracing, settling of end fills, and two caps crushed 1/3 of their length and a third completely crushed. It required that the load limit be reduced to less than standard highway loads and was eventually closed. Major elements of the project included: replacing the timber bridge with a concrete bulb tee bridge.

PROJECT STATUS: Project completed.

NAME OF APPLICANT	Miles City	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$136,000	
OTHER FUNDS	<u>\$138,370</u>	INTERCAP Loan
TOTAL PROJECT	\$274,370	

PROJECT SUMMARY: The Miles City water distribution system has a 14 inch water transmission main that is broken under the Tongue River. The project will replace the broken section with a 20 inch water main crossing under the Tongue River.

PROJECT STATUS: Project has been awarded to contractor, but construction is being delayed until Fall, 1999, because of high water conditions in 1998.

NAME OF APPLICANT	Missoula/Reserve Street Neighborhood	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 400,000	CDBG Grant
	\$ 100,000	RRGL Grant
	\$ 100,000	Missoula WQD
	\$1,580,000	Missoula SID
	<u>\$ 614,000</u>	Local Funds
TOTAL PROJECT	\$3,294,000	

PROJECT SUMMARY: The Reserve Street Neighborhood has a high number of antiquated cesspools and seepage pits which provide little or no treatment to protect groundwater quality. The Missoula aquifer is extremely vulnerable to contamination by the high density and use of septic systems in the area, and is designated as a sole-source aquifer for the Missoula Valley. The project includes construction of approximately 40,640 feet of conventional collection mains, laterals and service lines, 204 service stubs, 133 manholes, and 11,313 feet of asphalt replacement.

PROJECT STATUS: Under construction.

NAME OF APPLICANT	Neihart	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$261,028	
OTHER FUNDS	<u>\$100,000</u>	RRGL Grant
TOTAL PROJECT	\$361,028	

PROJECT SUMMARY: Neihart's leaking water distribution system was subject to contamination from groundwater when negative water pressures occur or when the system shut down for repairs. Distribution system repairs were required by a court order. The Town's water mains were installed at shallow depth and were subject to freezing. Major elements of the project included: replacing approximately 6,150 lineal feet of water main.

PROJECT STATUS: Under construction.

NAME OF APPLICANT	Richey	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$264,340	
OTHER FUNDS	\$ 10,000	Local Funds
	<u>\$262,760</u>	CDBG Grant
TOTAL PROJECT	\$537,100	

PROJECT SUMMARY: Richey had very high levels of fluoride in the drinking water which can cause mottling of the permanent teeth (dental fluorosis) and skeletal fluorosis (a serious bone disorder). The drinking water also had a very high sodium content. Major elements of the project included: constructing a reverse osmosis water treatment plant, rehabilitating the existing water storage tank, and a pilot study to fine tune treatment plant design requirements.

PROJECT STATUS: Under construction.

NAME OF APPLICANT	Roundup	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 400,000	CDBG Grant
	<u>\$1,560,400</u>	RD Loan
TOTAL PROJECT	\$2,460,400	

PROJECT SUMMARY: Roundup's lagoons were no longer large enough to dispose of the effluent by evaporation. Ponding of wastewater occurred at the surface outside of the lagoon dikes. A dike failure would have caused lagoon contents to enter the adjacent Musselshell River, which would have affected adjacent landowners, and communities downstream. The high sodium content in the wastewater could have harmed the farmland and made it useless for disposal. Major elements of the project included: constructing a new aerated wastewater treatment facility, replacing the current deteriorated line, and installing a new line that meets state slope requirements for proper operation.

PROJECT STATUS: Under construction, estimated completion end of December, 1998.

NAME OF APPLICANT	Terry	
PROJECT TYPE	Wastewater/Storm Drain Separation	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 572,700	RD Grant
	\$ 476,900	RD Loan
	<u>\$ 30,240</u>	Applicant's Funds
TOTAL PROJECT	\$1,579,840	

PROJECT SUMMARY: Terry's wastewater system had deficiencies which resulted in backups of sewage in basements, overflow of sewage from manholes, and potentially contaminated shallow wells. The deficiencies included: vitrified clay pipe that was cracked, broken and collapsed; wide or offset joints obstructing flow and causing plugging; a combined sanitary and storm sewer causing system to overload during storm events. Major elements of the project included: replacing approximately 16,350 feet of sanitary sewer, constructing approximately 3,250 feet of storm drain, and installing approximately 66 manholes.

PROJECT STATUS: Under construction, estimated completion end of December, 1998.

NAME OF APPLICANT	Twin Bridges	
PROJECT TYPE	Water System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 400,000	CDBG Grant
	\$ 100,000	RRGL Grant
	\$ 300,000	RRGL Loan
	<u>\$ 68,500</u>	Applicant's Funds
TOTAL PROJECT	\$1,368,500	

PROJECT SUMMARY: Twin Bridges' 50,000 gallon water storage tank and pressures were not sufficient to provide adequate capacity to suppress a major fire event. The distribution lines were not looped, so there was the potential for contamination due to stagnant water in dead end lines. The distribution lines were undersized to carry the required fire flow. Water flows and pressures did not meet minimum standards for daily usage and fire protection. Major elements of the project included: constructing a 300,000 gallon reservoir, and a twelve inch transmission main to connect the new reservoir to the existing distribution system. Portions of the distribution system were also replaced. Both water supply wells were also improved with the addition of pressure release valves, pump control valves, flow meters, and miscellaneous piping.

PROJECT STATUS: Under construction.

NAME OF APPLICANT	Valier	
PROJECT TYPE	Wastewater System Improvements	
TSEP GRANT	\$ 500,000	
OTHER FUNDS	\$ 400,000	CDBG Grant
	\$ 100,000	RRGL Grant
	<u>\$ 200,000</u>	SRF Loan
TOTAL PROJECT	\$1,200,000	

PROJECT SUMMARY: The Valier wastewater treatment facility had serious deficiencies including: accumulation of sludge in the treatment lagoon, porous soils in the bed of the treatment lagoon allowing wastewater to percolate too rapidly, failing lagoon embankments, a single cell treatment lagoon system which did not allow continued wastewater treatment while the lagoon was dewatered for maintenance, and storm water infiltration which increased the volume of wastewater requiring treatment. Major elements of the project included: removing sludge from the lagoon, constructing three cells withing the existing single cell, adding aeration to the lagoons, and lining the three new aerated cells with an impermeable liner.

PROJECT STATUS: Under construction, estimated completion end of December, 1998.

APPENDIX C


RANKING QUESTIONS AND SCORING CRITERIA (STAGE 1 OF RANKING)

APPLICATION SCORING SYSTEM

The TSEP enable statute requires DOC to recommend a list of projects for TSEP funding, giving preference according to the legislature's order of priority for projects and to recommend the form financial assistance for each.

Each TSEP applicant is required to submit a narrative as part of its application which describes the relationship of the proposed TSEP project to the statutory priorities for TSEP projects.

Each application is assigned points based upon the extent to which the proposed project is consistent with and responds to each statutory priority, in comparison to the other TSEP applications submitted, using five possible point levels, as follows:

The Proposed Project Is the Most Responsive to the Statutory Priority	Maximum Possible Points
	Four-Fifths Possible Points
	Three-Fifths Possible Points
	Two-Fifths Possible Points
	One-fifth Possible Points
The Proposed Project Is the Least Responsive to the Statutory Priority	One-fifth Possible Points
Not Applicable or Negligible Relationship to the Statutory Priority	Zero Points

The total number of points assigned to each TSEP application is based upon its cumulative response to the ten statutory priorities for TSEP projects.

STATUTORY ORDER OF PRIORITY FOR TSEP PROJECTS

A declining numerical score has been assigned to each succeeding priority to reflect the TSEP statute's order of priority for funding TSEP projects. The TSEP statutory criteria and the numerical score for each are listed below, in order of priority.

	<u>Maximum Possible Points</u>
Statutory Priority #1 (Urgent or Serious Health or Safety Problems)	1000 Points

Statutory Priority #2 (Compliance with State or Federal Standards)	900 Points
Statutory Priority #3 (Appropriate Design and Long-Term Solution)	800 Points
Statutory Priority #4 (Cost-effective Public Benefit)	700 Points
Statutory Priority #5 (Greater Financial Need)	600 Points
Statutory Priority #6 (Funds from Other Sources)	500 Points
Statutory Priority #7 (Long-term, Full-time Jobs)	400 Points
Statutory Priority #8 (Business Expansion)	300 Points
Statutory Priority #9 (Maintenance of Tax Base)	200 Points
Statutory Priority #10 (Community Support)	100 Points
Total	5500 Points

The Total Maximum Possible Number of Points = 5500 Points

TSEP STATUTORY PRIORITIES AND RANKING CONSIDERATIONS

The following lists the ten statutory priorities for TSEP projects, along with the major issues that are considered by DOC in evaluating each applicant's response.

Statutory Priority #1 1000 Possible Points

Projects that solve urgent and serious public health or safety problems.

- a) Does a serious deficiency exist in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply or does the community lack the facility or service entirely?
- b) Have circumstances clearly attributable to a deficiency occurred, or are they likely to occur, such as serious illness, disease outbreak, substantial property loss, serious environmental pollution, or serious safety problems or hazards?
- c) Is the entire community, or a substantial percentage of the residents of the community, seriously affected by the deficiency?

- d) Is the problem existing, continual, and chronic as opposed to occasional, sporadic, probable or potential?
- e) Is there written documentation from state or federal agencies which substantiates the seriousness of the deficiency, such as a "boil order" issued by the Montana Department of Environmental Quality?

Statutory Priority #2

900 Possible Points

Projects that enable local governments to meet state or federal health or safety standards.

- a) Is the proposed TSEP project necessary to comply with a court order or a state or federal agency directive?
- b) Is there clear documentation that the current condition of the public facility (or lack of a facility) violates a state or federal health or safety standard?
- c) Does the health or safety standard which is being violated represent a significant threat to public health or safety (after taking into account Statutory Priority #1)?
- d) Does the project thoroughly address the problem and provide a reasonably complete and long-term solution for compliance with the health or safety standard?

Statutory Priority #3

800 Possible Points

Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

- a) Does the project thoroughly address the problem and provide a reasonably complete and long-term solution in relation to the applicant's financial capacity and available funding sources?
- b) In cases where the proposed project will not completely resolve the community's public facilities need, does the project represent a complete component of an overall program?
- c) After thoroughly considering all reasonable alternatives, does the technical design proposed for the project represent the most efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project?
- d) Are there any apparent environmental or technical problems which could delay or prevent the proposed project from being carried out or which could add significantly to project costs?
- e) For projects involving community water system improvements, has the conversion to a water metering system been thoroughly analyzed and has the applicant decided to install meters? In those cases where meters are not proposed, does the applicant's preliminary engineering study clearly demonstrate that the use of meters is not feasible or appropriate?

Statutory Priority #4

700 Possible Points

Projects that result in a benefit to the public commensurate with the amount of financial assistance requested. However, the benefit to the public may not be measured by population alone.

The score for Statutory Priority #4 will be based upon how the applicant scored on Statutory Priorities #1,2,3 and 6, and the responses provided to the questions listed below. The TSEP ranking teams will consider these other statutory priorities to determine how much the proposed project benefits the public (how serious the public health or safety threat is and whether the project will resolve the problem) versus the amount financial assistance requested (the amount TSEP funds involved and the amount of other funds that will be leveraged). The applicant's responses to the questions listed below will also be considered in scoring this statutory priority.

- a) Has the applicant made a long-term commitment to provide public facilities and services that are adequate and cost effective? (This can be shown by: an applicant's commitment to comprehensive planning; capital improvement planning and budgeting; raising taxes, hook-up charges, user charges or fee schedules to the maximum reasonable extent; having sufficient operation and maintenance budgets and reasonable practices to provide for adequate repair and replacement of the system; the use of water meters; etc. Applicants should discuss all attempts to make a long-term commitment to provide public facilities and services that are adequate and cost-effective.)
- b) In the case of TSEP matching grants, is the amount of TSEP funds requested per household to be assisted less than \$5,000 per household, unless both tests described in the TSEP Application Guidelines are met?

Statutory Priority #5

600 Possible Points

Projects that reflect greater need for financial assistance than other projects.

This criterion will assess the applicant's need for financial assistance by examining each applicant's relative financial need compared to other applicants. The financial assessment will determine whether an applicant's need for TSEP assistance is greater than other applicants.

Applicants will be ranked and points awarded, using a computer-assisted financial assessment, that makes a comparative analysis of financial indicators. This process is conducted using two competitive ranking indicators that evaluate the relative financial need of each applicant. The analysis for the first indicator is common to all applicants, while the analysis for the second indicator depends on the type of project. Based on an applicant's relative financial need, an applicant can receive up to 600 points. The points awarded on this criterion are on an open scale and are not limited to the five point levels used for the nine other statutory priorities.

Statutory Priority #6

500 Possible Points

Projects that enable local governments to obtain funds from sources other than TSEP.

- a) Will TSEP participation in the proposed project enable or assist the applicant to obtain funds from sources other than TSEP?
- b) Will the proposed TSEP project leverage a high ratio of non-TSEP investment in relation to the TSEP funds requested?
- c) Are non-TSEP funding sources firmly committed and will they be available when TSEP funds are provided?

- d) If firm non-TSEP funding commitments have not been secured, has the applicant provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds from all appropriate public or private sources to assist in financing the proposed project?

Statutory Priority #7

400 Possible Points

Projects that provide long-term, full-time job opportunities for Montanans.

- a) Has the applicant strongly documented that the proposed TSEP project will directly result in the creation or retention of a substantial number of long-term, full-time jobs for Montanans?
- b) Has the applicant clearly justified and documented the claimed number of indirect long-term, full-time jobs to be created or retained as a result of the TSEP project?

Statutory Priority #8

300 Possible Points

Projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success.

- a) Has the applicant thoroughly documented that the proposed business expansion requires TSEP assistance to provide public facilities in order to proceed?
- b) Is the business plan for the specific firm(s) to be assisted by the proposed TSEP project a realistic, well-reasoned business expansion proposal and does it clearly demonstrate that the firm to be assisted has a high potential for financial success if TSEP funds are received?

Statutory Priority #9

200 Possible Points

Projects that maintain or do not discourage expansion of the tax base.

- a) Has the applicant provided clear documentation that the proposed TSEP project will support and not discourage expansion of the private property tax base?
- b) Did the applicant seriously evaluate the option of utilizing the private sector to resolve the identified public facility problem in situations where a private sector alternative may be reasonably appropriate and capable of providing a long-term, cost-effective solution?

Statutory Priority #10

100 Possible Points

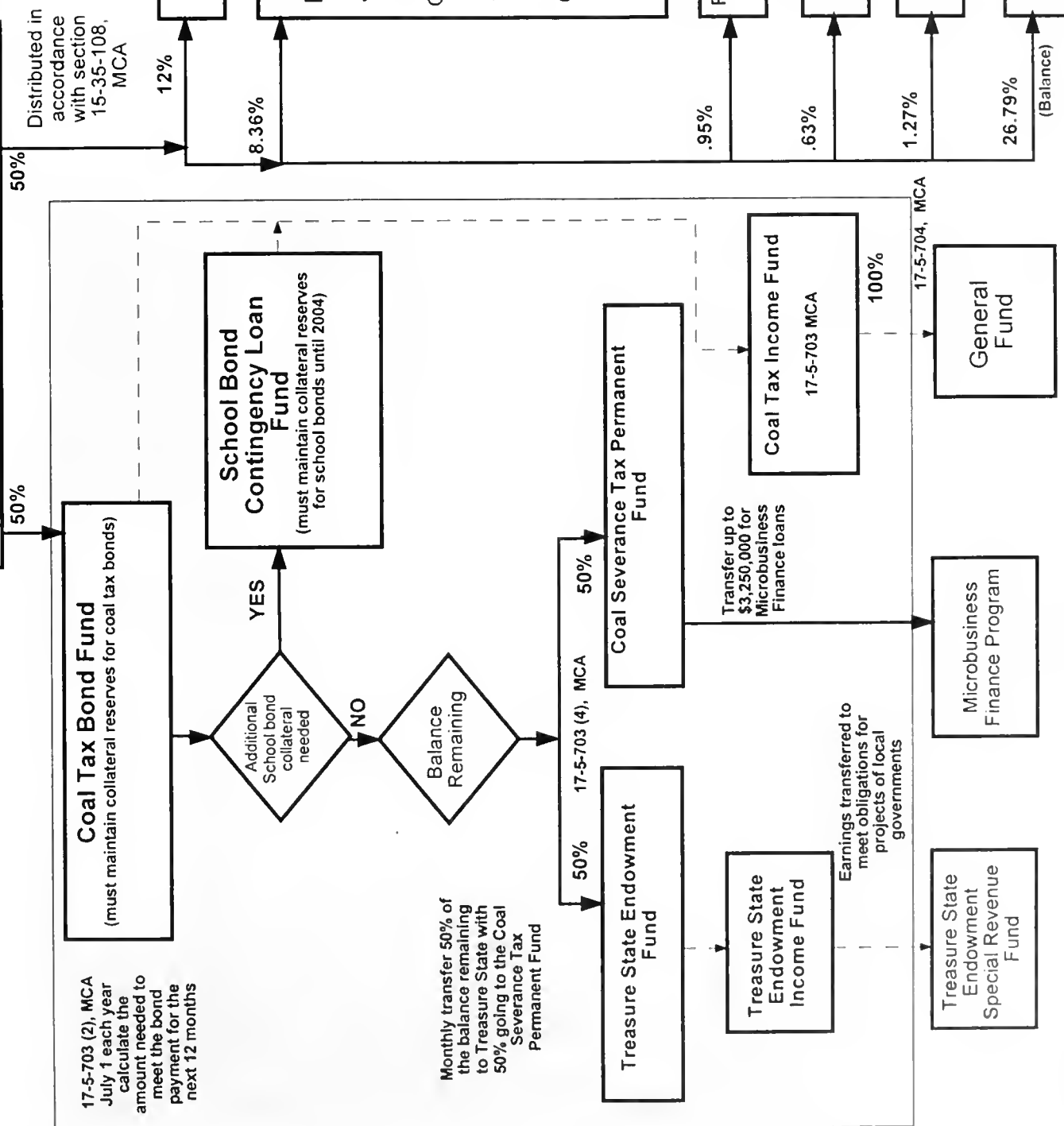
Projects that are high local priorities and have strong community support.

- a) Did the applicant provide thorough documentation of active citizen participation, including at least one public hearing or meeting held not more than 12 months prior to the date of the application, to discuss the proposed TSEP project with the affected community residents?
- b) Has the applicant provided thorough documentation that local citizens and affected property owners have been informed of the estimated cost per household of any anticipated increases in assessments or user charges and are in support of the project?
- c) Has the applicant assessed its public facility needs, established priorities for dealing with them through an officially adopted public facilities plan or a capital improvements program, and is the proposed TSEP project a high priority of that plan or program?

Coal Severance Tax

Distribution effective 7-1-95

— Tax Revenue flow
 --- Investment Income flow
 □ Identifies the Permanent Trust



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